

# STRATEGY AND TACTICS OF WORLD COMMUNISM

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## HEARINGS

BEFORE THE

SUBCOMMITTEE TO INVESTIGATE THE  
ADMINISTRATION OF THE INTERNAL SECURITY  
ACT AND OTHER INTERNAL SECURITY LAWS

OF THE

COMMITTEE ON THE JUDICIARY  
UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

SECOND SESSION

ON

STRATEGY AND TACTICS OF  
WORLD COMMUNISM

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JULY 1 AND 8, 1954

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## TASK FORCE INVESTIGATING THE STRATEGY AND TACTICS OF WORLD COMMUNISM

WILLIAM E. JENNER, Indiana, *Chairman*

HERMAN WELKER, Idaho	PAT McCARRAN, Nevada
RICHARD ARENS, <i>Special Counsel</i>	

C O N T E N T S

Testimony of—	Page
Garbuny, Siegfried-----	172
Taylor, Henry J-----	189
Utley, Freda-----	159



# STRATEGY AND TACTICS OF WORLD COMMUNISM

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THURSDAY, JULY 1, 1954

UNITED STATES SENATE,  
SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION  
OF THE INTERNAL SECURITY ACT AND OTHER INTERNAL  
SECURITY LAWS, OF THE COMMITTEE ON THE JUDICIARY,  
*Washington, D. C.*

The subcommittee met at 11:15 a. m., pursuant to call, in room 224, Senate Office Building, Senator Herman Welker, presiding.

Present: Senator Herman Welker.

Also present: Richard Arens, special counsel; and Frank W. Schroeder and Edward R. Duffy, professional staff members.

Senator WELKER. The meeting will come to order.

Who is your first witness?

Mr. ARENS. Mr. Chairman, may I respectfully suggest that the first witness to be sworn and to testify is Miss Freda Utley.

Senator WELKER. Will you rise.

Do you solemnly swear that the testimony you will give before the committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Miss UTLEY. I do.

## TESTIMONY OF FREDA UTLEY, WASHINGTON, D. C.

Mr. ARENS. State your name, residence, and occupation.

Miss UTLEY. Freda Utley, 1717 20th Street NW., Washington, D. C. I am an author, writer, lecturer, et cetera.

Senator WELKER. You may proceed, Counsel.

Mr. ARENS. Will you kindly give the committee a brief résumé of your background and experience with particular reference to your experience in the Communist operations, Communist conspiracy?

Miss UTLEY. I am born English, and I joined the Communist Party in England beginning in 1928 when I was a fellow at the London School of Economics. Also, when I was about to stand for Parliament in the labor interests. In joining the Communist Party I made a public statement to the press. That same year I went to the Soviet Union and subsequently to the Far East with my husband.

I married a Russian in 1928 and went subsequently to live in the Soviet Union after a period in the East at the end of 1930. I was 6 years living in Russia as a Russian, as the wife of a Russian.

In 1931 I ceased to be a member of the Communist Party, as I was already completely and thoroughly disillusioned with life in the Soviet Union and with communism. I had learned the facts; the reality as against its pretensions. I ceased to be a Communist in 1931.

Senator WELKER. You learned that in Russia?

Miss UTLEY. I learned that in Russia by bitter personal experience. I learned it very fast. I had thought when I joined the party—I was one of those young people who foolishly believed that communism would bring social justice, a better social order—that it was a liberal movement. I learned after going to live in the Soviet Union that it was the greatest tyranny the world had ever seen.

As I have also put in my statement here, I also came to realize by living in the Soviet Union this was not just a question of Stalin having gotten power, but the bases of communism must lead to that development into a tyranny everywhere in the world; that is, a materialist philosophy and their belief that the end justifies the means, and their use of any methods to attain their end, must mean that communism would lead to tyranny everywhere it is established. I am making that very point very strongly because I think we have to realize this is not a question of the Russian people; this is a question of communism.

Mr. ARENS. May I interpose this question on your background: You have, since breaking with the Communist Party, maintained a continuing interest and have continually studied the Communist operations worldwide, have you not?

Miss UTLEY. Yes.

Mr. ARENS. And you have been an author of several works with respect to the Communist operations in various areas of the world, is that correct?

Miss UTLEY. Yes. I wrote my first book exposing the Soviet Union, a book called "The Dream We Lost," published here in 1940. Subsequently, my books on the Far East and on other subjects have mainly been studies of communism and Communist strategy and methods.

Mr. ARENS. You have recently returned from an inspection tour or a study tour in Central Europe, is that correct?

Miss UTLEY. I have been in various parts of Germany, Italy, France, Spain, and England. I am writing a new book on Europe. My last book was The China Story, published in 1951, in which I traced the influence of Communists and Communist sympathizers on American policy and showed how that influence had caused us to lose China to the Communists.

Mr. ARENS. I respectfully suggest that Miss Utley's statement be incorporated in the record as if read and then Miss Utley now proceed to speak extemporaneously on the various points which are covered in her statement.

Senator WELKER. It will be so ordered.

(The statement referred to follows):

TESTIMONY OF FREDA UTLEY BEFORE THE INTERNAL SECURITY SUBCOMMITTEE OF THE SENATE COMMITTEE ON THE JUDICIARY—TASK FORCE ON STRATEGY AND TACTICS OF WORLD COMMUNISM

I am one of the very few Americans who learned about communism the hard way—by personal experience of life in the Soviet Union as it is lived by the Russians. Many others have visited Russia, or lived there as newspaper correspondents, diplomats, engineers, or businessmen. All these were, of necessity, merely observers looking at the Russian people from outside. But I was for 6 years the wife of a Russian subject, sharing many of the hardships and all the fears of the Russian people. I know what it means to live continuously under the shadow of terror; never to know peace of mind; to be constantly on guard lest a careless word bring oneself or one's loved ones to death or imprisonment in a slave labor camp. It is on account of my intimate and terrible experience of the Russian way of life under the Communist dictatorship, and

because of my sympathy for the Russian people, that I am testifying today in favor of the Jenner-McOarran resolution.

Until 1928 I had been a member of the British Labor Party. That year, I gave up my candidature for Parliament in the Labor interest by openly joining the Communist Party and issuing a statement to the press explaining why. That same year I was the Communist candidate in the London County Council elections.

At that period the Communist Party was openly opposed to the Labor Party and openly revolutionary. The period of pretending to be democratic—the Popular Front period—began only after Hitler came to power, when I was no longer a Communist. My short period of membership in the Communist Party occurred while it was still possible for a Communist to be what I might call an honest revolutionary, as distinct from a liar and a cheat pretending to be democratic and reformist. In 1940 when I applied for an immigrant visa to the United States I answered "Yes" to the Immigration authorities when asked whether I had ever belonged to an organization advocating the overthrow of governments by violence. This caused the rejection of my application, but I became a citizen many years later thanks to a private bill in Congress sponsored by Congressman Jerry Voorhis, of California, who was a member of the Dies committee.

I am bringing up this old history at the beginning of my testimony simply because ex-Communists are ipso facto suspects in the eyes of many people. My record shows that although I was a Communist Party member from 1928 to 1931 I did not lie either for the party or for my own advantage either then or subsequently.

A quarter of a century ago when I joined the Communist Party, I imagined that the Communists aimed at the emancipation of mankind, and would create a just social order and give freedom to oppressed colonial peoples everywhere in the world. Brought up in the English liberal tradition the Communist ideal seemed to me to be the fulfillment of man's age-long struggle for freedom and justice. It took only a few months of life in the Soviet Union, in the winter of 1930-31, to make me realize how profoundly mistaken I had been. I quickly understood that the Soviet Government was a greater and more terrible tyranny than any the world had yet seen, but I also soon learned that anyone who spoke against it got liquidated. I was caught in the web through my husband who, being a Russian subject, could not leave the Soviet Union once he had returned there. I stayed in Russia for 6 years, until he was arrested in 1936 and sent without trial to a concentration camp where, presumably, he died many years ago. I was able to escape with our son, then 2 years old, only because I had retained my British passport.

I did not transfer to the Russian Communist Party after going to live in Russia, although I had learned that to be a Communist in Russia is to belong to the ruling class which enjoys both material privileges and a monopoly of power. My husband was not a Communist but a Socialist who had voluntarily returned to Russia from abroad in the false belief that a better world was being built in the Soviet Union. Both of us soon realized not only that Stalin was the greatest tyrant who has ever lived, but also that the materialist philosophy of the Communists must inevitably lead to the establishment of a similar tyranny wherever Communists win power.

Together, in Russia, we shared the life of the unprivileged, nonparty people. We were better off than most Russians since he was a "specialist" in trade and finance, entitled to an above average food ration, and I had a "foreign specialist" ration card. But since we did not enjoy the food, housing, transport, and other privileges and prerequisites of the Communist aristocracy, we were close to the mass of the Russian people who never knew what it meant to have enough to eat, and who live in perpetual fear of starvation and imprisonment. I told the story of my life in Russia in 1940 in a book called, *The Dream We Lost*.

This experience of mine enables me to state with certainty that the fundamental misconception upon which United States policy has been based is that the Russian people support their Communist Government by choice or conviction. I am certain that the very great majority of the Russian people and other peoples behind the Iron Curtain hate, as well as fear, the Soviet Government. The trouble is that no one has any hope of overthrowing it without outside help. The fact that so many millions of Russians went over to the Germans in the first stages of the war is a proof of what I have always contended concerning the attitude of the Russian people. The Germans might have retained or won the support of the

overwhelming majority of the Russian people had it not been for the stupid and cruel behavior of the Nazis. We should take care that we do not ourselves make the mistake of forcing the Russian people to support their Communist Government by regarding them, instead of communism, as the enemy. Today many of the very same people who have been most sympathetic to Communism in the past are busy telling us that we should hate the Russians. They are today, wittingly or unwittingly, furthering the Communist cause by diverting our enmity away from communism as such to Russia. This kind of upside-down Communist propaganda has been so effective that Dr. Ward V. Evans, in his minority report on Dr. Oppenheimer, cited as "evidence" of Dr. Oppenheimer's loyalty the fact that "he hates Russia."

I consider the breaking off of diplomatic relations with the Soviet Union would put fresh heart into the forces of resistance to Communist tyranny behind the Iron Curtain. It would help to wipe out the impression we created during and after the war that we approved of Communist tyranny. It is a true but tragic fact that at the war's end America and her allies helped Stalin to reestablish his dictatorship in full force over the Russian people. By the many pronouncements of our Government leaders, by the attitude of our newspapers, and radio commentators, we made it all too clear that we were behind Stalin and that we gave him, instead of the Russian people, the credit for the heroism of the Red army. By turning back uncounted numbers of Russian deserters, displaced persons, and others, who knew that they would be shot or sent to concentration camps when returned to the Soviet Union, we must have helped establish the belief in the hearts of the Russian people that there was no hope to be expected from the West. It is necessary that we do everything possible to wipe out the impression given in the war and postwar periods that we are ready to support Communist tyranny so long as that tyranny does not menace us. And nothing could be better calculated to achieve this purpose than implementation of the Jenner-McCarran resolution.

I could quote many statements by past and present representatives of the American people showing their misunderstanding of the nature of communism, of its aims and its methods, and of the basis of its terrible power. The past two administrations made repeated statements implying that we believed that Soviet communism is a progressive power. As late as July 16, 1950, President Truman said:

"By making possible the formulation and execution of liberal reforms such as the nationalization of certain industries and land redistribution, which are desired by a majority of Koreans, this policy should also help to broaden the basis for an understanding with the Russians."

The only possible meaning which can be read into this statement of Mr. Truman's is that the Communists are liberal and progressive, and that if we emulate them we can get along with them. In other words, the basic assumption upon which the Truman-Acheson foreign policy was based was that America could insure world peace if we showed evidence that our economic, social, and political policies are as progressive as those of the Communists.

The second great illusion about communism which has distorted our policy is a corollary of the first. It is the belief that communism conquers not by force and terror, but through popular support. For instance, Mr. Acheson, on January 12, 1950, declared that the best way of stopping communism in Asia was to: "develop a soundness and administration of these new governments and to develop their resources and their technical skills so that they are not subject to penetration either through ignorance or because they believe these false premises, or because there is real distress in their areas. If we can help that development, if we can go forward with it, then we have brought about the best way that anyone knows of stopping this spread of communism."

In other words the Acheson school of thought believes that good works and the redistribution of wealth can stop communism.

The third great illusion which formerly permitted the State Department to view Communist conquests, such as that of China, with complacency, is the belief that once the Chinese or any other people learn that communism does not give the benefits expected they can discard it. The fact is, however, that it is impossible for a nation which has come under Communist tyranny to find a way of overthrowing it without outside help.

It would seem that in spite of all the lessons of the past few years our thinking and our policy are still permeated with the old illusions. For instance, on June 16, last, President Eisenhower, in opposing the breaking off of all trade



with the Iron Curtain countries, stated that the satellite countries would then have no place to go but Russia for anything they needed. He further stated that it should be our objective "to encourage the centrifugal forces," and he implied that this could be done by continuing to trade with the Soviet Empire.

The plain fact is, as the Jenner-McCarran resolution recognizes, that breaking off diplomatic and trading relations with the Soviet countries would both weaken the Soviet Empire and strengthen, not weaken, the ties between us and the Russian people. For it would give them hope that the tyrannical regime which rules over them could collapse, thanks to our pressure. And far from hurting the people of the Soviet Empire materially it might help them. The Soviet Government is able to export only by squeezing its subjects and depriving them of food and other necessities, while using imports almost exclusively to build up its war potential. Consequently, the Russian people and those of the satellite countries, far from deriving any benefit from increased trade with the free world, would in all probability be hungrier than ever now.

It will be fatal should we listen to the contrary advice given by Sir Winston Churchill, and the Americans who share his illusion that the Soviet Government represents the Russian people; and that we can have peace and security by appeasing the Communists either in the Far East or in Europe.

Those who like and those who hate the Russians are equally wrong in imagining that the Russian people have any say in determining Soviet policy, and equally dangerous as advisers as to what American policy should be.

When I read Sir Winston Churchill's statement last Monday to the National Press Club, I was appalled at his ignorance and the bad advice which he is giving, thanks to that ignorance. He based his plea for a try at "peaceful coexistence" with the Soviet Empire on "the mood of the people of Russia," and on "the great wish in Russia to have a better time among the masses of the people." He urged us to "make sure that the Russian people would not feel that they might gain far more by a quarter of a century of peaceful development of their own country" than by war. And he begged us "to leave no stone unturned" to give the Russian people "a chance to grasp the prospects of great material well-being which will be offered to all these millions." In a word, he urged us to base our policy on the erroneous assumption that the wishes of the Russian people determine Communist policy.

I am convinced from my own experience, as well as from my years of study of Communist aims, methods, and strategy, that the policy being urged upon us by the British Government, and the American supporters of this policy, would destroy all hope of liberation among the Russian people and other peoples under Communist rule, and thus immeasurably strengthen the Soviet tyranny, and increase both its capacity for, and will to, aggression.

There was, no doubt, a time in its early stages when communism appealed, as it did once to me, to the desires of people for social justice and emancipation. Today, with the abundant evidence available to us of what goes on under Communist rule, it is no longer possible to believe in Communist professions or propaganda. Today, Communist power advances not because people believe that it offers hope of a better world, but because people fear it, and have too little confidence in the will to resist it in the Western world.

It is difficult for an American to understand what terror means. People who have never been hungry cannot imagine what it is to be without bread. People who have never known the fear of death or slavery, not only for themselves, but for their loved ones, under a totalitarian tyranny, cannot realize what it means to be without freedom. Americans cannot imagine what it means to be under a regime in which every man fears his neighbor and even his friends, because anyone may be a member of the secret police, or be driven sooner or later to betray his friend or neighbor by intolerable pressures to accuse others in order to escape himself. This terror which keeps the people behind the Iron Curtain subservient also has a terrible effect on the countries close to the Soviet Union and menaced by communism. There, the fear is of what will happen to you or to your family if and when the Communists seize power. People in the lands which fear Communist conquest sometimes give money to the Communists, or in other ways assist the Communists, not because they have any illusions about communism, but as a sort of insurance policy for the future. If in those countries there were no poverty the Communists would still have strength, because of the fear of the terrible penalties which await all who dare to oppose communism.

The only way to overcome that debilitating fear is to arouse confidence and hope that there is a banner on our side to which brave men can repair with some hope of saving their countries, their families, and their faith. Every time we give way to Communist pressures or bolster up Communist governments by diplomatic dickering and nice words, such as Mr. Churchill is so fond of addressing to the Soviet Union, we strike fear into the hearts of millions of people. They have seen how, in the past, we have been ready to grasp the bloody hand of the Communist tyrants in friendship and they are always afraid we may do it again if it suits our purpose—and then what would happen to those who had been on our side?

The breaking off of diplomatic relations as recommended by Senators Jenner and McCarran would allay such fears by recreating confidence in American leadership of the free world.

The people who have already had personal experience of what Communist rule means are today our most reliable allies. We have seen this in the case of the people of Berlin and East Germany. Today, I consider that the Germans and probably also the Spaniards are our most reliable allies in Europe—thanks to the fact that they have seen for themselves what Soviet Russia is like, or what communism means. The Spaniards experienced the horror of communism in their civil war. In the case of the Germans, they do not only know what their brothers are suffering in Soviet Germany; almost every German family has a member who fought in Russia or who was a prisoner in Russia, or died of starvation there. Others know what Communist conquest means by their experience of the raping, looting, and murder of the Red Army. These people can be counted upon to prefer death to Soviet slavery.

You will have heard that the slogan which the late Ernst Reuter, mayor of Berlin, gave to his people during the blockade was "Better a horrible end than horror without end." A year ago the people of East Berlin and East Germany gave signal proof in their unarmed uprising against the Communist power that they are prepared to die for liberty. But here again we must recognize the fact that men must have hope and the right of self-defense if they are to remain on our side. The Germans are still denied the right of self-defense. Thanks to French stalling on the EDO treaty we have still not accepted the West Germans as our allies. We may succeed in forcing them to try to save themselves by coming to terms with Moscow, if we convince them that this is the only way in which they can hope to reunite their country, or avoid the fate of being conquered by the Communists because we refused to let them rearm.

As we know, the Communist technique is always to divide and rule. In the case of our former enemies, the Communists and their friends and dupes have continued successfully to divide us by keeping the old hate fires burning.

There is another point which I think we should take into consideration in considering the techniques of communism and the manner in which it has successfully advanced its power so fast and so far. I refer here to what one might call the demand for perfection. We have seen how, in the case of one of our most loyal allies, Chiang Kai-shek, the charge continually made by the Communists, and echoed by many good, but deluded, Americans, was that the Nationalist Government of China was so undemocratic and corrupt that we should cease to give it any aid. This propaganda was so successful that we abandoned our Chinese allies, denied them arms and ammunition in the most critical period of the civil war, and thus helped bring the Communists to power in China.

The same game, in a minor way, has been played on Syngman Rhee. It is clear that the Communists and their friends and dupes have been extremely successful in undermining and vilifying some of our best allies by making impossible demands for the premature establishment of American democratic institutions and methods of government in backward countries fighting against communism.

I was in China in 1945-46 during the period of General Marshall's mission, and saw how United States policy was distorted by the influence of the Communists and their dupes, and by the "dumb liberals," who failed to realize that Chinese Communist rule would be a calamity for us as well as for the Chinese people. I warned against the consequences of the Marshall-Acheson policy in a book called *Last Chance in China*, published in 1947. But my voice, like that of others who realized what must be the consequence of the Truman-Acheson China policy, was drowned by the IPR chorus and other friends of the Chinese Communists. In 1951, in *The China Story*, I told the story of those tragic post-war years, during which American policy was based on a complete misunderstanding of the nature and aims of communism.

Even today this misunderstanding continues in the Western World in a revised form, as illustrated by my quotations from Sir Winston Churchill's most recent statement.

Today we are in danger of disheartening the resistance forces in the Communist world, not because we any longer believe in the false promises of the Soviet Government, but because we fear to provoke the Communists by resolute action. This was made clear to me in Berlin in February. At the beginning of the conference, thanks to the fine speeches being made by the representatives of the Western powers, hopes were raised that at long last we were going to stand up to the Soviet Union. By the end of the second week of the conference, it had become clear that the Communists had once again succeeded in making us climb down. We agreed to discuss the Far East at a news conference in Geneva without any quid pro quo in the shape of concessions on German unification.

The streets along which the representatives of the victorious powers passed in their automobiles each day on the way to the conference were thickly lined with crowds, standing for hours in the bitter cold in both the West and East sectors of the city. Every one I spoke to among those crowds expressed the hope that America would show sufficient strength and will to force the Soviet Union to retreat. But during the last days I was there, disillusionment had already set in. It was felt that we or our allies had displayed such a lack of power and resolution that it was unlikely that the Soviet Union would ever make any concessions. If, at any time, instead of arranging another conference with the Soviets, the Jenner-McCarran resolution had been passed, I am certain that these despairing people would once again have had confidence in us.

If the Berliners and East Berliners who are in the frontline of the battle hope that we will not make concessions to the Soviet Union, surely we in the far rear should not be governed by our fears, or give way to the desire of the British and the French for peace at any price.

It seems to me that in spite of the fact that the Communists and their sympathizers no longer hold important posts in our Government and the press, radio, and universities, people with a soft attitude toward communism and, above all, people who have no understanding of the nature, aims, or methods of communism, still hold the commanding heights in the press, radio, and other media which influence public opinion.

I use the words "commanding heights" because I recall that Lenin used this expression in 1921 when he instituted the new economic policy which permitted some private ownership of land and small-scale industry. He then said that, provided the Soviet state continued to own all large-scale industry and the banks, its possession of these "commanding heights" would insure the victory of socialism. So today it seems to me the influence in the press and radio of Communist sympathizers and dupes, and of those who know nothing about communism, is still sufficient, if continued, to insure a Communist victory.

So long as those who form public opinion and those who direct our foreign policy hold fallacious opinions as regards the nature of communism and how to combat it, we can have no hope of winning the struggle for the world.

We also face a certain danger from those who say "A plague on all your houses," and think that at this stage of history we can return to isolationism. It is of vital importance that we should do two things if we are to survive.

One is to give moral and material support to our real allies; that is to say, to the people who can be counted upon to stick by us, and fight with us if necessary, and not to those who want to be neutral, but whom we hope to win over to our side by bribes, or by following their appeasement policies.

Secondly, we must try to keep hopes of liberation alive among the Russians, the Chinese, and the other people under Communist rule. This we can do only if we give proof of our own standfast opposition to Soviet tyranny; and convince them that we shall never again betray other people for our own illusory advantage, as we did at Teheran, Yalta, and Potsdam. This is why it seems to me that breaking off of diplomatic relations with the Soviet Government would have such an excellent effect. I see the Soviet empire as a structure which would fall very rapidly if once a revolt started against it with a little hope of success. If the oppressed people of the Soviet empire believe that we would help them they might free themselves of the fear which paralyses them. And if a revolt once started it would spread like wildfire.

The Jenner-McCarran resolution should awaken the American people to the immediate necessity for the "agonizing reappraisal" of our foreign policy, which Mr. Dulles said a year ago might have to be undertaken. I am glad of this

opportunity to testify in favor of this resolution from the standpoint of an American who knows from experience how greatly it would be welcomed by the subjects of the dictator of all the Russians.

Miss UTLEY. I feel this is important because of the suspicion in which ex-Communists are held. I have not been a Communist since 1931, and second, when I was a Communist I did not lie about any affiliations. I did not lie for myself or the party. When I tried to immigrate to the United States in 1940 and was asked at Ellis Island whether I had ever belonged to an organization advocating the overthrow of the Government by violence, I said yes and was rejected. I can claim, although I was a Communist, I have never been one of the people who lied and deceived. When I found I had to do those things, I left the party.

Senator WELKER. You understand you are testifying under oath and any statement on the material fact which is not true constitutes perjury?

Miss UTLEY. Yes.

Mr. ARENS. I observe in your prepared statement, your thesis, that there are fundamental misconceptions in the United States policy with respect to the Communist government having the support of the Russian people. I should like to ask you now if you will kindly direct your attention to that theme.

Miss UTLEY. I am trying to counteract the impression which has been created by so many statements on the part of the past administrations; the quotes I have given from Mr. Acheson and President Truman in my statement; the idea that the Russian people support their regime; that the Russian people are the same thing as the Soviet Government; that we can, by establishing good relations with the Russian people, have peace and solve the problem.

I have particularly drawn attention to what I consider the most pernicious thing, which is the statement just recently made by Sir Winston Churchill here in Washington in which he speaks all the time as if we could have peace by agreement, by getting along with, or helping, the people of the Soviet Union.

This is on page 7 of my statement:

He based his plea for a try at "peaceful coexistence" with the Soviet Empire on "the mood of the people of Russia," and on "the great wish in Russia to have a better time among the masses of the people." He urged us to "make sure that the Russian people would not feel that they might gain far more by a quarter of a century of peaceful development of their own country," than by war.

The whole implication of Churchill's statement is that if we convince the Russian people they can have a better life by living at peace with us, we shall have peace. That implies that the Russian people determine Soviet policy. I think that is the great fallacy of our time. That is what I have been trying to establish, also, by these quotations which I gave before.

Senator WELKER. As a matter of fact, then, it is your opinion that the Russian people have nothing whatsoever to do with the policy?

Miss UTLEY. Nothing whatsoever.

Senator WELKER. It comes from the Kremlin, the Politburo, and the masters of the Kremlin?

Miss UTLEY. Yes. Any Russian subject—I prefer to call them subjects—who criticizes the Government policy in the tiniest degree

knows that he will either be sent to prison or executed. He will be arrested, all right. Nobody dares to open his mouth and criticize the Government.

Mr. ARENS. On the basis of your best information, what suggestion could you make to the committee with respect to the number of slave laborers, people who are actually enslaved behind the Iron Curtain?

Miss UTLEY. You mean the actual number?

Mr. ARENS. Yes. What would be your estimate?

Miss UTLEY. The estimates vary between 14 and 20 million. I would say not less than 15 million. It may be more.

Mr. ARENS. Would you say the people who are not actually in slave labor camps are themselves enslaved in the sense they are not free?

Miss UTLEY. They are absolutely enslaved. They are really slave laborers. Even the people not in concentration camps are not far removed from slaves. They have none of the normal civil rights which we take for granted.

Mr. ARENS. Miss Utley, what, in your judgment, based on your experience through the years both as a Communist and as a student of international communism, would be the first elemental step for our Nation to take in undertaking to stem the tide of encroachment of international communism?

Miss UTLEY. That is why I welcome very much this resolution, the Jenner-McCarran resolution, because I think breaking off diplomatic relations and all trade relations as well with the Soviet Empire would be of the greatest help in heartening the people of the Soviet Union. The whole point is that we unfortunately during and after the war gave rise to the belief in Russia that we supported the Soviet tyranny by turning back all the deserters and very many displaced persons. By our every action and praise of Stalin as our great ally we helped to clamp down again the tyranny on the Soviet people. By breaking off relations, it seems to me we are giving some hope to the enslaved peoples of Russia that sometime or other our pressure may bring down the Soviet Government.

Mr. ARENS. Under date of June 18, 1954, the Senator from Indiana, Mr. Jenner, and the Senator from Nevada, Mr. McCarran, and the Senator from Idaho, Mr. Welker, introduced S. 3632 making it a felony to import or ship in interstate commerce any commodity or goods produced by slave labor. Should that bill become law, what in your judgment would be the effect on the people behind the Iron Curtain?

Miss UTLEY. I think it is such an excellent resolution that it might ameliorate the condition of the people in the slave labor camps. Here I speak from experience. In the early thirties when I was in Russia there was a big campaign against slave labor on the matter of timber. I think Canada in particular was concerned with this matter. I remember at the time this caused tremendous worry and anxiety in Russia, and it was said that conditions had been slightly improved in the timber slave labor camps as a consequence of this agitation to stop buying goods produced by slave labor. I think the resolution is so good because it would hurt the Soviet Government, and it might also possibly force the Soviet Government somewhat to ameliorate the condition of the slaves.

Senator WELKER. How will we find out whether or not these goods are produced by slave labor?



Miss UTLEY. In the case of certain things like timber, we actually know that is all produced by slave labor. I think the intensive studies that have been made of all the slave labor camps, the mines, timber and all the other things that are produced, it would not be too difficult to tell. In a sense, all goods in Russia are produced by slave labor. But that is carrying it too far, perhaps, in the sense the workers have no rights. They have to work as long as they are told for whatever wages are decreed. They haven't the right to strike. They can be arrested and punished for being a few minutes late at work. I do not know how far that resolution is intended to carry.

Mr. ARENS. I suggest that S. 3632 and the statement which accompanied it at the time of its introduction be incorporated in this record.

Senator WELKER. It will be so ordered.  
(The material referred to follows:)

PROHIBITION OF IMPORTATION OR TRANSPORTATION IN INTERSTATE COMMERCE OF  
GOODS PRODUCED BY SLAVE LABOR

Statement by Hon. William E. Jenner, of Indiana, in the Senate of the United States, Friday, June 18, 1954

Mr. JENNER. Mr. President, on behalf of myself, the Senator from Nevada (Mr. McCarran), and the Senator from Idaho (Mr. Welker), I introduce for appropriate reference a bill making it a felony to import or ship in interstate commerce any commodity or goods produced by slave labor. I ask unanimous consent that a statement by me pertaining to the bill be printed in the Record at this point, as a part of my remarks.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the statement will be printed in the Record.

The bill (S. 3632) making it a felony to import or ship in interstate commerce any commodity or goods produced by slave labor, introduced by Mr. Jenner (for himself, Mr. McCarran, and Mr. Welker), was received, read twice by its title, and referred to the Committee on the Judiciary, as follows:

"A bill making it a felony to import or ship in interstate commerce any commodity or goods produced by slave labor

*"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, from and after the effective date of this act, it shall be unlawful to import into the United States or to ship in interstate commerce in the United States any commodity or goods produced by slave labor.*

*"SEC. 2. Any person who shall violate this act shall be guilty of a felony, and upon conviction thereof, shall be punished by imprisonment of not more than 2 years, or by a fine of not more than \$1,000, or both."*

The statement by Senator Jenner is as follows:

"STATEMENT BY SENATOR JENNER

"In the recent past, as chairman of the Internal Security Subcommittee of the Senate, I appointed a task force for the purpose of maintaining a continuing study and investigation of the strategy and tactics of world communism. This task force, which consists of myself as chairman, with Senators Herman Welker and Pat McCarran as members, has been conducting a series of hearings on this general subject because we know that to adequately appraise the operation of the Communist conspiracy in this Nation it is essential that we keep abreast of the world strategy and tactics of international communism.

"In the hearings which we have thus far conducted one of the principal subjects which has been under consideration is the worldwide trade offensive of the Kremlin which has as its ultimate goal economic strangulation of the West through ruinous competition of the products of slave labor. This threat presents to us not only the issue of protecting the American workingman in his job, but it also presents a moral issue of the highest order. Every shipload of goods pro-

duced by slave labor in Iron Curtain countries which we import into this country merely whets the appetite of the Kremlin for greater numbers to be subjected to this inhuman exploitation.

"Accordingly, the bill (S. 3632) has been patterned after our laws which prohibit the shipment in interstate commerce of goods produced by child labor. If those laws are right, then this bill is right. If it is right to protect the American workingman from ruinous competition by slave labor then this bill is right. If it is right to protect ourselves and the free world from the spreading menace of international communism then this bill is right."

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[S. 3632, 83d Cong., 2d sess.]

A BILL Making it a felony to import or ship in interstate commerce any commodity or goods produced by slave labor

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That, from and after the effective date of this Act, it shall be unlawful to import into the United States or to ship in interstate commerce in the United States any commodity or goods produced by slave labor.

SEC. 2. Any person who shall violate this Act shall be guilty of a felony, and upon conviction thereof, shall be punished by imprisonment of not more than two years, or by a fine of not more than \$1,000, or both.

Mr. ARENS. In the course of the recent past, under date of June 24, the Senator from Idaho presented to the Senate and it was recently approved unanimously by the Committee on the Judiciary a resolution, No. 169, authorizing the President of the United States to proclaim the first Sunday of each month for a period of 12 months for prayer for people enslaved behind the Iron Curtain.

On the basis of your background and experience, I ask you, aside from the actual petition to the divine for intervention, what effect would the proclamation called for in this resolution have on the minds and hearts of the people behind the Iron Curtain?

Miss UTLEY. Again I think it would have an excellent result, an excellent effect, because again it would show the people behind the Iron Curtain we care a little, which they have not had much reason to suppose in the past.

May I add to that, I think the excellent effect, also, of this proposal by Senator Welker is that it might help to awaken the American people a little as to the sufferings of people under communism. What I am getting at, we all know there has never been in the press or on the radio or in any way in the United States any comparable campaign to arouse the people of America to a knowledge of what communism means and what Communist terror is, what life is like in the Soviet Empire, anything comparable to what was done in the case of Nazi Germany. Every American knew of the horrors in Nazi Germany, but there has never been anything comparable to arouse opinion here concerning the horrors and terrors in the Soviet Empire.

Mr. ARENS. I respectfully suggest that this record now reflect the contents of Senate Joint Resolution 169 and of the very brief statement which was made by the Committee on the Judiciary under date of June 29 in reporting Senate Joint Resolution 169 unanimously favorably to the Senate.

Senator WELKER. It is so ordered.

(The material referred to follows:)

[S. Rept. 1659, 83d Cong., 2d sess.]

**AUTHORIZING THE PRESIDENT OF THE UNITED STATES OF AMERICA TO PROCLAIM THE FIRST SUNDAY OF EACH MONTH FOR A PERIOD OF 12 MONTHS FOR PRAYER FOR PEOPLE ENSLAVED BEHIND THE IRON CURTAIN**

The Committee on the Judiciary, to which was referred the joint resolution (S. J. Res. 169) authorizing the President of the United States of America to proclaim the first Sunday of each month for a period of 12 months for prayer for people enslaved behind the Iron Curtain, having considered the same, reports favorably thereon without amendment and recommends that the joint resolution be agreed to.

STATEMENT

The people of the United States share in their hearts the suffering of the millions of fellow human beings who are enslaved behind the Iron Curtain. It is the judgment of the committee that periodic prayer on behalf of these fellow human beings would not only open the channels for Divine intervention to alleviate their suffering, but would strengthen the bonds of understanding between them and the American people.

The committee, after consideration of all the facts, is of the opinion that the joint resolution (S. J. Res. 169) should be agreed to.

[S. J. Res. 169, 83d Cong., 2d sess.]

**JOINT RESOLUTION** Authorizing the President of the United States of America to proclaim the first Sunday of each month for a period of twelve months for prayer for people enslaved behind the Iron Curtain

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the President of the United States is authorized and directed to issue a proclamation inviting the people of the United States to pause on the first Sunday of each month during the course of a period of twelve months for prayer on behalf of the millions of fellow human beings who are enslaved behind the Iron Curtain.

Miss UTLEY. What I am trying to say in my answer is that what we need to do is to approach this whole problem of Soviet aggression and of communism from the opposite point of view from which it has been approached in the past. We have to approach it from the knowledge that the Russian people are groaning under tyranny. We have got to hearten them by measures showing that we are anti-Communist, anti-Soviet Government; whereas, the approach to now has been, "Let's get along with the Soviet Union, let's convince the Russian people of how good and kind and progressive and friendly we are."

Mr. ARENS. You were in Germany at the time of the Berlin Conference in February, were you not?

Miss UTLEY. Yes.

Mr. ARENS. Do you have any observations to make on the basis of your background and experience as to the strategy of the Western Powers at Berlin in the conference?

Miss UTLEY. Yes. I have something in my statement on that. I was there during the conference, and I spoke to the people who lined the streets to watch Dulles, Eden and others drive to the conference. I talked to a lot of people in the street. At the beginning of the conference there was a real hope that the United States was going to be firm enough and strong enough to force the Soviet Union to make concessions. At the end of the second week when we agreed



to meet again in Geneva to discuss the Far East, which we formerly refused to do and without getting anything in return, no quid pro quo, the Germans were beginning to say, "Well, it is hopeless. The United States and its allies haven't got what it takes to stand up to the Soviet Union or to force the Soviet Union back."

I think the effect of all this dickering and diplomatic negotiations has been altogether bad for that reason, because it is always we who make the concessions. We always seem to be the weaker side.

Mr. ARENS. Finally, I observe in your statement reference to two courses of action which you suggest if we and the West are to survive. I should like to invite your comments on those two courses of action.

Miss UTLEY. In my concluding section I make the very strong point that we have to convince the people of the Soviet empire that we are anti-Communist, anti-Soviet; that we are for them and not for their Government; that these resolutions are designed to do precisely that, to keep alive some hope behind the Iron Curtain that eventually our pressures may bring down their Government.

Secondly, that this breaking off of trade with the Soviet Union, which is of the greatest importance—here again I think we are far from doing any hurt to the peoples of the Soviet empire. We will again actually help them. I know from my experience in the Soviet Union that exports from Russia are squeezed out of the people. In the period when they were exporting for the 5-year plans they were taking food, wheat, butter, textiles, and exporting them in order to import material for their war machine. That is, by increasing trade with the Soviet Union we merely make the life of the people more miserable. By refusing to trade with them there is more for them to consume at home. Therefore, the whole argument which is made, I am sorry to say, even by the President, that we have to do some trade because we have to encourage the centrifugal forces—to try and lessen the dependence of the satellites on the Soviet Union—is, I think, an entirely false argument. What they import is imported for their war machine. There is no advantage to the people in trading with us.

May I add one other thing to that—again on this point on page 4 of my testimony—that we should be awfully careful not to make the same kind of mistakes that the Germans made in Russia in a different form. What I am referring to is that we know millions of the Russians went over to the Germans in the first stage of the war. Then because of the behavior of the Nazis in Russia, they turned back to the Soviet Government and fought for their country against the Germans. What I am afraid of is that by this identification of communism with the Russian people which is made by so many—Winston Churchill and continually by the State Department under Mr. Acheson, talking about the Russians or Russia when we mean communism—if we do that, we are going to force the Russian people to support their Government because of the hatred of the world against them instead of against communism.

Here I point out on page 4 what seemed to be a most significant statement by Dr. Evans, who issued that minority report in favor of Dr. Oppenheimer. He actually gives us a proof of Dr. Oppenheimer's loyalty that "he hates Russia," as if that made him a loyal citizen. This is the kind of thing I am trying to get at; that it should

be argued that anybody who hates Russia is a good man, when what we should be hating is communism and not the Russian people.

We must get the American people to understand that the Soviet Union is bad, that the Soviet people have no say in their destiny at all. These resolutions and this effort by this committee to really get to understand the strategy of communism and the real situation behind the Iron Curtain are most valuable. If we could only get this to the American public, there would be a different attitude. That is what we need so badly if we are to save ourselves.

I am one of the very few Americans who ever lived the life of the Russian people. I was not observing it from outside as a diplomat or from a journalist's point of view, but as a Russian sees it. I was not one of the privileged Russians, either. I know what it means to be under that government, to know what real terror is so you dare not speak to anybody; that you are afraid of your friends and neighbors because even if they are not in the secret police, they may be forced to accuse you in order to save themselves.

I do not think Americans have any conception or any idea of what terror means. We have got to try and make them understand what it means. You have got to have experienced it before you can explain. If the public here understood what it means to live under this kind of terror, they would not make this foolish mistake of identifying the Russians with the Communist government. This seems to me at the present moment a tremendously important thing because we have Sir Winston Churchill and the whole influence of the British press designed to make us make that mistake, and establish more trade with the Soviet Union on the false assumption that we can get along by establishing good relations with the Russian people, which we cannot do anyhow because we are not allowed to talk to them.

Senator WELKER. On behalf of Chairman Jenner of the full Committee of the Internal Security and every member thereof and the staff, I want to thank you profusely for your significant contribution to the hearings. It is gratifying for you people to take your time and effort to come here and help us in the problem that is ours so that we can do our best to carry out the obligation we owe to the Senate of the United States to protect the internal security of our United States.

Again I say thank you, and may you keep up your splendid crusade. Miss UTLEY. Thank you very much.

Mr. ARENS. The next witness is Mr. Siegfried Garbuny.

Senator WELKER. Do you solemnly swear the testimony you will give before the committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GARBUNY. I do.

#### TESTIMONY OF SIEGFRIED GARBUNY, NEW YORK, N. Y.

Senator WELKER. State your name, residence, and occupation.

Mr. GARBUNY. My address is 120 West 105th Street, New York, N. Y. My profession is economist.

Senator WELKER. Where were you born?

Mr. GARBUNY. In Germany, sir. I am an American citizen and came to this country in 1938.

Senator WELKER. What is your age?

Mr. GARBUNY. I am 39 now, sir.

Senator WELKER. You may proceed, Counsel.

Do you have a prepared statement?

Mr. GARBUNY. Yes, sir.

Mr. ARENS. Kindly give us a brief sketch of your experience in the field in which you are engaged as an economist, with particular reference to your experience in international trade.

Mr. GARBUNY. First of all, I would like to state that I do not belong to any political party, never have been enrolled in any political party, and have voted always on the issue. I like to think of myself as a conservative or perhaps a bit on the right side, but certainly as a conservative.

My experience in international economics is merely academic, with the exception of brief periods I served in the Department of State after I was separated from the service of the American Army. Before the Department of State, I worked in the Office of Strategic Services and Research and Analysis and happened to be in the U. S. S. R. division of that service. It was actually in OSS that my interest in Russian affairs was aroused, and I have never begged it in studying the issue, not only officially but for myself.

Since my chosen field is international trade and finance, this was almost a matter of course to do after I left Government service and turned to teaching the field of international trade in New York City.

In international trade I notice in my academic studies that a very interesting pattern is shaping up; namely, the pattern of international trade as we are used to it as western and democratic trade, foreign trade to increase our standard of living, to make things better. Then a peculiar type of international trade which I would like to refer to as Soviet foreign trade which has nothing to do with improvement of standards of living, but as it is at the present moment, really a type of trade which is an instrument of consequences.

The Soviets seem to me to use international trade for outright aggrandizement of their political and military power wherever they can set foot. This pattern I have particularly studied over the years and have published, sporadically, articles on the subject, one of which has a similar title to the statement here, "Foreign Trade—Road to Conquest," which I published in the Commercial International Chronicle in New York in February of 1953.

Mr. ARENS. I respectfully suggest that the prepared statement of Mr. Garbuny be incorporated into the record at this point as if read and that Mr. Garbuny be permitted to proceed to summarize his various points extemporaneously.

Senator WELKER. It will be so ordered.

(The material referred to follows):

TESTIMONY OF SIEGFRIED GARBUNY BEFORE THE INTERNAL SECURITY SUBCOMMITTEE OF THE SENATE COMMITTEE ON THE JUDICIARY—TASK FORCE ON STRATEGY AND TACTICS OF WORLD COMMUNISM

SOVIET FOREIGN TRADE—INSTRUMENT OF CONQUEST

Commerce among nations has always been regarded as a means to establish friendly relations among the partners and as a symbol of peace. This has been a time-honored maxim; but the Soviet Russians have taught the world differently. They have shown that this instrument of peace can easily be turned into a mighty weapon of warfare and into an emblem of slavery.

Immediately after their advent to power the Bolsheviks, then led by Lenin, reserved in April 1918 foreign trade for the state as a government monopoly. No private individual was allowed to engage in commerce over the borders. The

state through government corporations inside and outside Russia took complete charge of the international exchange of goods. The trade program was simple; only what the Communist state needed for its survival would be imported, the needs and demand of the individual Russian citizen was no longer of any concern. Foreign trade would no longer serve to increase the Russian standard of living.

True enough, as long as the Russians were busy with their internal affairs, the volume of Russian foreign trade remained relatively small. Yet, the Soviet state learned soon that the foreign trade monopoly offered special extra advantages to the Communist regime. It kept the citizens so much better in complete isolation and bondage at home, and yet it could be used for economic chicanery abroad. Soviet Russia's foreign exchange dumping maneuvers in the 1920's to upset foreign markets and to obtain much desired foreign currencies are still remembered. The foreign trade monopoly therefore remained one of the sheet anchors of the Soviet economy, and the decree of 1918 was incorporated in article 14 of Russia's so-called constitution.

It was, however, only after the Second World War that the Russians understood the formidable dynamic power that they could unleash through foreign trade on their road to conquest. Commercial policy became therefore a vigorous part of their general foreign policy. After World War II a systematic effort was undertaken to conquer not only by arms but also by foreign trade. It might be said indeed that foreign trade became an alternative to armed intervention and propaganda. In conjunction with the military and propaganda apparatus stands therefore now foreign economic penetration as a means of conquest. The post-war world suddenly saw Russia as the newest champion of international trade. That of course was something really sensational. With the voices of the sirens the Russians were now singing the praise of international cooperation. In all their pronouncements, verbal and written, the Russians were using the terminology of the democratic world, stressing the sovereignty and the equal rights of all trading partners as well as the mutual benefits of international trade. All the technical terms that we find in the commercial treaties of the western world were used. Yes, indeed, the Russians became almost treaty-happy engaging in a multitude of treaties and trade agreements wherever they could lodge them. In addition, trade fairs were sponsored and even a world economic conference could be assembled in Moscow in April 1952. And yet, it was Satan at work.

From the very beginning, in spite of all their efforts, the Russians could never conceal their total inability to collaborate in foreign commerce on an international plane. Their role in world political organizations is too well known to be repeated here; but perhaps a reminder of their attitude toward the International Monetary Fund and the World Bank is still in order. To make membership in the International Monetary Fund palatable to the Russians, the Bretton Woods Agreements provided that a country whose currency was only domestically used should not have to bare its financial affairs to the fund authorities.

This provision actually referred to the Russian situation, since the ruble, though allegedly on a gold basis, is not an international currency and is used only for internal circulation. The Russians could therefore have joined the fund without the duty of information about their own financial affairs, a matter in which they have always been very sensitive; yet, they would still have retained the privilege to learn about the economic status of their colleagues, a point of everlasting interest to them. But even this extraordinary concession was not enough. The Russians did not join. International cooperation would have meant the abandonment of their goal to conquer the world. Cooperation always means equal rights for all the partners. The Russians would have been forced to become truly democratic and to give up the fight for the world revolution for which they saw again propitious conditions.

This attitude of the Soviets toward the International Monetary Fund and the World Bank is typical of Russia's "will to international cooperation" and has been duplicated many times. Even if the Russians join an international economic or for that matter political organization, it will be for destructive and not for constructive purposes. This is inherent in their dictatorial quest for power. We just must realize that the Soviets are incapable of international cooperation in any sphere. All the more it is necessary to study how they wielded the hammer of foreign trade and what their future strategy is going to be.

The story of the subjugation of Russia's satellites and of the establishment of puppet regimes is well known, but less known are their economic consequences. No matter what their past economic setup and orientation were, all satellite countries turned into planned economies with their center in Moscow. The

Soviet "plan area" thus created includes now the U. S. S. R. proper, Red China, North (Red) Korea, Rumania, Bulgaria, Albania, East Germany, Poland, Czechoslovakia, Hungary, and Mongolia. To keep up appearances, all these countries had so far economic plans of their own, well attuned of course to the Soviet 5-year plan; but there is now substantial evidence that even this last sham will fall, and that the future Soviet 5-year plan will also cover the satellite economies, which will then be in form as well as in fact Russian dependencies.

Already now the Soviet plan area has all the characteristics of the Grossraum of Hitler's Germany and of the coprosperity sphere of prewar Japan. The plans of the satellites, originally 2 or 3 years in duration, are at the moment orthodox 5-year plans in step with Russia's own program. Just as they did for Russia, the plans provide for the industrialization of the satellites. A raw materials pool is envisaged by which each country exports raw materials in relative abundance for goods in short supply that can be had from one or the other partner. This traffic, however, must not be imagined as smooth commercial intercourse based on the profit motive and individual prosperity, but rather as directed by what the Soviet Union deems necessary in its own interest.

The Soviets have gone so far as to send specialists to the satellites to supervise production and to train skilled labor in order to step up production. They receive trainees from satellite countries who learn next to the party doctrine mechanical skills in the U. S. S. R. On a higher level the Russians established mixed commissions for scientific and technological cooperation. So far there exist only a Soviet-Polish, a Soviet-Albanian, a Soviet-Czech, a Soviet-Bulgarian, and a Soviet-East German commission. It is the task of these commissions to impart Soviet know-how to the satellites in those industrial areas in which the Soviets wish a rapid increase of output.

Where it is necessary, the Russians send equipment and even ship whole factories to underindustrialized areas. In this connection the Russians boast that they have given Rumania badly needed oil refineries and take full credit for whatever improvements in equipment Finland's industries can show.

At the same time, the Soviet orbit moved to establish uniform prices, tariffs, measures, and railroad gages. The brotherhood is pushed even further in some areas, where the Russians established by force, of course, mixed corporations with joint management as in the case of SovRom, the Russian-Rumanian oil concern, or in that of the mixed Russian-Chinese civil aeronautics lines.

To give all this activity a harmless appearance and to convince those who are gullible enough of their peaceful intentions, the Russians have based this system of economic annexation on a mesh of commercial treaties. Anyone who reads the speech of Mikoyan, the past architect of Russian foreign trade, before the 19th party congress in Moscow in October 1952 will be indeed surprised by the minister's constant reference to international law, commercial treaties, respect for the sovereignty of treaty partners—in brief, to all the concepts forever advocated by bourgeois jurisprudence. For their own case, Mr. Mikoyan and his collaborators praise the fact that Russia's commercial treaties with the "people's republics"—which is Russia's term for the satellites—are long-term understandings. This, so they say, guarantees a smooth development of the satellite industries. It protects them against crises and gives them confidence in their future by securing adequate raw material supply and markets for their products. The Russians, of course, never mention the fact that these treaties make the satellites completely dependent on the U. S. S. R. and this not only for a short period, but rather for a long time to come. Indeed through protocols to the existing agreements or through renegotiation closer and closer ties are continually established, as was recently evidenced by the protocol of January 1954 to the Russian-Chinese trade agreement of February 1950. This protocol increased the items of exchange between the two countries in a considerable fashion, although the original agreement had already provided for the closest cooperation.

In other words, the commercial treaties of the Soviet Union with the satellites serve as the legal basis for the annexation to the Russian Grossraum. The consequences of this annexation are clear. Soviet trade with the satellites and the trade of the satellites among themselves have tremendously increased, in some instances as in the case of the Russian-Finnish trade in machinery and machine tools as much as 10 times over prewar operations. By the same token, of course, the satellite trade with the western countries has rapidly decreased in spite of some occasional flickering here and there. This is a fact of tremendous significance which cannot be stressed enough, because originally the trade of



especially the European satellites with Russia was relatively small. The economies of Russia and of the satellites were not complementary, but in many ways—though of course in different dimensions—rather parallel. For buying and selling the satellites had therefore normally turned to Central and Western Europe as their natural markets.

This again is significant, because it shows that the satellites' turn to the Soviet Union must be accompanied by a structural change of their economies as well as by a strong decline of their standard of living, at least until this structural change and the consequent integration into the Soviet orbit are fully completed. The Russians will not worry about all this, since they look on the Soviet plan area as something similar to a war economy where the citizens' welfare is nothing compared to the state's defense. The feelings of the subjected nations are of course a different matter which the democracies will do well to remember.

For the time being, the world must realize that the U. S. S. R. has conquered the satellite area through its foreign trade policies. The next question is therefore, whether Russia's conquest through foreign trade is on the march elsewhere. The answer is, alas, positive. The Russians have found their new weapon a good one, and are determined to use it to the fullest degree, whereby they discriminate with infernal instinct between their victims and apply the medicine in different doses.

While Stalin was still philosophizing about the two separate world markets—the capitalist and the Communist—the Soviet Government invited representatives of both from all over the world to an international economic conference at Moscow in April 1952. From all reports this conference must have been a rather smooth and "Bourgeois" affair under the chairmanship of Mr. Nesterov, the president of the Chamber of Commerce of the Soviet Union. Here, the Soviets proclaimed to all who wanted to listen their readiness to trade with any nation that wanted to enter into commerce with the U. S. S. R. The Russians soon found that there was more of a response than perhaps even they had expected. Respectable Britishers like Lord John Boyd Orr cheered enthusiastically, the South Americans lent a willing ear, the Near East and Central Asia seemed ripe victims.

The Soviets of course realized that the game here would not be as easy as with the satellites and that the approach would have to be different, but they set out to work immediately. Since they are not in a hurry and are used to waiting many years if necessary, as in the case of China, where the battle took 25 years, they will be satisfied in the beginning with moderate results, much more moderate than in the plan area, as long as they get results. For the democracies, however, every Russian success is a tocsin of danger which must not be ignored. Disaster is bound to come, unless the Russian conquest through trade is not brought to a halt in due time.

Some of the new Russian successes shall be recorded here; but for all of them it is an established fact that the Russians are hardly interested in the economic advantages that might come to them from their new foreign trade connections, but much rather in the establishment of a political hold on their new trade partners.

The Near East, the Arab world, has always been of special interest to the Russians. Two major trade agreements are noteworthy in this respect, the Egyptian-Soviet Payments Agreement of November 1953 and the Lebanese-Russian Trade and Payments Agreement of June 1954. The latter agreement is rather elaborate and provides for an exchange of goods in each direction in the amount of £110 million.<sup>1</sup> The Soviets will deliver industrial goods; and the Lebanese agricultural products. This agreement also contains through its special handling of the most-favored-nation clause a Soviet recognition of the Arab countries as a whole large unit, an idea from which some day not only the Arabs but also the Soviets may draw profit. The agreement also ties the method of establishing the exchange rate between the ruble and the Lebanese pound to the gold content of the ruble, and makes the ruble this way for once an international gold-based currency, quite contrary to its usual merely domestic function. This may have no practical significance, but it reveals once more the independent and arbitrary way in which the Russians see fit to arrange their economic and financial relations with their various trade partners.

Yet, the two Near Eastern agreements pale in the light of the Russo-Indian trade agreement which constitutes a significant milestone on Russia's road to conquest.

<sup>1</sup> Lebanese liras.

On December 2, 1953, Russia and India concluded a trade and payments agreement which will run for 5 years after which it can be extended by negotiations which must begin 3 months before the expiration date. Both parties have agreed to give one another preferential treatment in shipping and other facilities. Russia will render technical assistance on the installation and operation of equipment that it supplies, a clause that reminds very much of the agreements with the satellite plan area. All payments are to be made in Indian rupees; for this purpose, the State Bank of Russia will maintain accounts with the Reserve Bank of India and one or more commercial banks in India. The balances in these accounts will be convertible into sterling on demand. The agreement provides for the exchange of a large number of goods. Among the 20 items exportable from India during the first year of the agreement are jute goods, tea, coffee, tobacco, spices, shellac, wool, hides, and skins, vegetable and essential oils, coir yarn and ropes, live animals, chemical films, books, and cottage products. Among the 39 items available for export from Russia are wheat, barley, crude petroleum and petroleum products, timber and paper, optical goods, dyestuffs, chemicals, medicines, printed matter, films, and a wide range of industrial equipment, machinery and machine tools.

India's imports from Russia were valued at <sup>1</sup> R2.3 million (about \$480,000) in 1950-51, R13.8 million in 1951-52, and R2.4 million in 1952-53. Exports to Russia during those 3 years amounted to R13.4 million, R6.7 million, and R8.5 million respectively.

This agreement is doubtless of great political and psychological importance, for both India and the U. S. S. R. Leading Indian newspapers have therefore hailed this compact in glowing terms. The Bengali Ananda Bazar Patrika of Calcutta stressed in an enthusiastic leading article Russia's willingness to send machinery and to give technical assistance to the unskilled Indians. And since western experience has already shown that the best capital equipment can be useless in India because of the lack of native skill, it may well be that the Russian teachers will be permanent in India, as they once were in China, and that they may repeat the Chinese lesson there.

Another Indian paper, the Hindu Ted of Delhi, on the other hand stressed the fact that the agreement adopted the Indian rupee as the unit of account and that thus Russia was the first great power to acknowledge India's sovereign currency. This was valued by the paper as a great success in prestige. In other words, India hailed the agreement not only as a commercial progress, but as a national victory. Russian commercial policy hit indeed the target. Yet, analogies with the beginnings of Russia's battle for China cannot be removed from the student's mind. In that case, Dr. Sun-Yat-sen had invited the Russians to help to establish China's national might through a Russian-trained Chinese army. The Russians came and actually never left, until China became fully subservient to the Soviet Union.

Russia has not stopped courting the western European democracies. Agreements with France, England, Italy, the Scandinavian countries, the Benelux area are still the order of the day in spite of Russia's unmitigated hatred of and opposition to any western bloc such as the Council of Europe, or the European Coal and Steel Community, not to mention the Marshall plan which they sabotaged from its very beginning. Sensing economic difficulties in England, the Soviets did not hesitate to come forward with grandiose offers as at the time of the Foreign Ministers' Conference in Berlin in February 1954, when the present Russian Foreign Trade Minister Kabanov submitted to a British trade delegation in Moscow orders to the tune of \$1,120,000.

Without doubt, such offers, even if they do not become contracts, leave a deep impression on the business world in any country, and this is perhaps the main reason why they were made. Other western countries received similar "favors" from the Soviet Union. The intention is clear. The Russians want to use such foreign trade to wean the western countries from their American ally. Beyond that they try to break the American export controls which is evident from the lists of goods they submitted to the British. These lists contained goods that could not be shipped to the Soviets under the present mutual defense assistance system. The Russians doubtless believe that, with the end of American economic aid to Europe in sight, they will be able to play the field again strongly and they don't want to delay the start.

Very striking, however, are the Russian attempts to conquer South America through trade. Two Latin American countries have recently concluded trade

<sup>1</sup> Russian rubles.

agreements with the U. S. S. R. for the first time in their national existence: Argentina in August 1953 and Uruguay in February 1954. The Argentine agreement is the first Soviet trade agreement in Latin America. It is so striking in its contents and reveals so well the Russian *modus operandi* that a detailed account of it has been appended to this statement. Already here it may be said that the agreement clearly shows the craftiness and the Machiavellian disguise by which the Russians try to establish a political beachhead through the friendly way of commerce.

There are then four different groups of countries where the U. S. S. R. tries to infiltrate its power through foreign trade. Firstly, the plan area of the satellites where the operation was fully successful, then the Near East and India where there is a very successful beginning; thirdly, the old West where economic crises may play into the hands of the Russian schemers, and finally the Latin American countries where virgin ground was just broken.

The question may well be asked: Why do these countries conclude trade agreements with the Soviet Union? The Soviet record is, after all, obvious. The answer cannot be given in one statement; for the reasons are different for the various nations. But it is safe to say that each nation hopes that it will be spared the extreme, though the basis for such hope is not rational; on the other hand each such nation is always driven to the Russians by some emergency. This emergency, whichever it may be, has always been cleverly understood and exploited to the full by the Russians. Economic difficulties in England make English businessmen amenable to Russian approaches which are only too gladly forthcoming; similarly, the difficulty to find a market for its products and a cheap source of supply drives Argentina into Soviet hands; Indian independence and indigence find the Russians as teachers and psychological and economic supports; the Arab world may take a similar view. The satellites were under Russian military occupation, but with Germany's destruction at the end of the Second World War Russia was anyhow a logical power to turn to. All these are possible answers to the query at issue.

Indeed at the moment of writing, influential circles in West Germany look to the U. S. S. R. for help in their fight for German reunification. Dr. Bruening's recent ominous reference to the Rapallo Treaty of 1922 is ill-boding. Through their agreement with the Russians at Rapallo the Germans played Russia off against the West. It marked the beginning of their new military and economic rise as a sovereign power, but it also fortified tremendously the position of the Soviet Union in the world.

Since Dr. Adenauer and his government, as well as the Western Powers have shelved the question of German reunification for the time being, the Russians have here an opening to win over those West German circles who place Germany's reunification highest on the agenda. Premier Malenkov has understood this, and in his interview with East Germany's Premier Otto Grotewohl earlier this month already expressed his desire for cultural and economic relations with West Germany. It would be fatal if Dr. Adenauer could not prevail in his Western policy against those influential circles in Germany, including the three former Reichschancellors, Drs. Bruening, Luther, and Wirth, who would pact with the Devil to reunite Germany. All this is a matter of conjecture; but the Soviets sense here once again one of these psychological moments which may lead West Germany toward them for another Rapallo.

A last problem of Russian foreign trade should be mooted. That is the question of Soviet gold. Does Soviet gold, as an instrument of foreign trade quite independent from the Soviet treaty system, constitute a danger to the Western World? Not too much can be said about this issue. A few things, however, are certain. The Soviets have, so far, not used gold as an instrument of economic warfare. Their gold production is a matter of estimate; nor is much known about the extent of Russian gold deposits, especially in the Lena and Kolyma regions. Soviet gold sales have recently taken place in the free markets of Europe, including London; but there is no report of disturbances of the market through Russian gold sales. The question of how much Russia would benefit from a rise in the price of gold and whether she would benefit more than such an underdeveloped area as the Union of South Africa is therefore difficult to answer. Yet, the immediate problem here is whether Russian gold does not make its way into the American Treasury. It is quite likely, considering the low cost of remelting, that Soviet gold freed of the hammer-and-sickle emblem is shipped to the United States by Russia's European trade partners. By accepting such gold without knowing the actual origin the American Treasury would facilitate Russian trade with Western Europe, which is certainly a doubtful result.



In conclusion, it may be stated that militarily, economically, and politically the Soviet Union has only one firm and strong opponent: the United States of America. For this reason the U. S. S. R. has reserved all its abuse and invectives for this country. Its propaganda against the United States of America in other countries is formidable. With each trade agreement it concludes, it also extends its propaganda radius. With the wares it sends, it passes along its anti-American hatred. Against that the United States has to take the strongest stand. This propaganda must not be underrated. Everything must be done to counteract it. Especially now that economic aid may decrease or cease, the United States must be vigilant to keep the loyalty of the former aid recipients. Beyond that, it is especially important to vitiate the Soviet trade effort. Having recognized Soviet foreign trade as an instrument of conquest, everything must be done by the United States to attract the world's trade to its own shores or to help to establish conditions in which the free world can trade with each other without Russia's participation. Export controls as established in the Export Control Act of 1949 and the Battle Act of 1951 should be continued in one way or another. That they were extremely successful is evidenced by the violent Russian reaction against them. That they hurt the Russian orbit much more than the Western World is evidenced by the statistics. Through a proper tariff policy and technical assistance the United States can continue to help the free world to stay free and beyond that stop the Soviet march to conquest.

It would be unrealistic to hope for complete commercial isolation of the U. S. S. R., but the cordon sanitaire can be tucked tighter and tighter. If the United States remains a market for foreign products and a supplier of credit, raw materials, and finished products, if trade, not aid, becomes the regular feature of American relations with other nations, then the free nations will have no reason to fall for Russia's siren song.

It is clear that Russia's foreign trade serves one purpose only: to aggrandize the Soviet power. It is one more instrument of conquest.

In such circumstances it is the task of the United States to stop not only the Russian soldier, but also the Russian trader.

#### APPENDIX

##### THE SOVIET-ARGENTINE TRADE AGREEMENT<sup>\*</sup>

Late in October 1953, Buenos Aires announced the first shipment of goods for the Soviet Union under the Russian-Argentine trade agreement signed in August 1953.

The importance of this agreement lies in its political aspects, including economic policy, and not in its detailed provisions. The first trade agreement between the two countries, it furthers a general rapprochement between the partners and also establishes a lively exchange of goods, which heretofore was small, since 1949 almost nonexistent. The agreement, concluded for 1 year, is renewable at the parties' wish.

It is easy to understand Argentina's new course. Her hard currency reserves accrued during the war were soon exhausted. This resulted from Argentina's increased import requirements due to the growth of her population and industrialization. Furthermore, orders unfilled on account of the war and substantial price increases in Argentina's traditional purveyor countries aggravated the situation. To offset current imports through exports was difficult for the Argentines because of their creditors' unwillingness to accept their goods. The Argentines looked therefore for cheap supplies from nations that were willing to buy Argentine goods. They found Russia.

The agreement also reflects Argentina's wish for independence from one particular exporter or group of exporters, e. g., the United States and Great Britain, and for prosperous trade with many countries. Argentina hopes to thus secure that freedom which might grant her at the time of industrial maturity a formidable position in South America and the world over. This attitude is stressed by Argentina's renewed intensive trading with West Germany.

In comparison with Argentina's American and British trade the dimensions of the Russian-Argentine agreement are moderate. Very likely the United States and Great Britain will continue to loom large in Argentine trade, though both countries have lost substantial ground to Germany. But the important point is that the goods which Argentina buys from the United States and the United

<sup>\*</sup> Originally published as a letter to the editor of the New York Times, December 14, 1953.

Kingdom parallel those in the Russian convention; and there is nothing to stop her from expanding her trade with the new partner.

A look at Russia reveals that the economic consequences of this compact are insignificant for the Soviet Union. Economically the agreement is important only for the Latin-American partner. Why then did the Soviet Union conclude this agreement? A scrutiny of Russian foreign trade pacts gives the answer.

In the Soviet economy foreign trade has always played a secondary role and served more political than economic purposes. After the Second World War trade pacts have been a studied instrument for economic penetration and political domination. The trade agreements with Russia's European satellites are an object lesson. These countries turned their trade to Russia and subjected their existence to Soviet tutelage. All these pacts, economically significant for Russia's partners, are unimportant for the Soviet economy and constitute a Soviet attempt to win control over the partner via the partner's economy.

The significance of the Russo-Argentine agreement for the Soviet Union lies therefore exclusively in the extension of its political power to Argentina. The Russians will try to tie the Latin American Republic more to the Soviet orbit by putting the agreement in the future on a larger scale. The economic bond tightened, Soviet propaganda will increase to wean Argentina from her North American and European partners. That Argentina is just the beginning of Russian penetration of South America is obvious and is evidenced by the willingness of President Ibanez of Chile to open trade negotiations with the Russians.

When Stalin criticized Argentina to President Roosevelt, Peron was not yet the head of that nation. Since then peronismo has come into ascendancy. Peron borrowed the idea of the 5-year plans and established a complete dictatorship. Russia's present cordial relations with Argentina led to the speculation that dictatorships, no matter what their differences, always attract each other. This affinity may spell dire political and economic consequences for the Western countries. This is the deeper warning of the Russian-Argentine trade agreement for the democratic world.

Mr. ARENS. May I invite your attention to the Soviet plan area which you allude to in your statement?

Mr. GARBUNY. Yes.

Mr. ARENS. What is the Soviet plan area?

Mr. GARBUNY. You may recall that at the end of the war the neighboring states of the Soviet Union were under Russian military occupation. They had no choice to do anything but what the Russians told them. Germany was utterly prostrated and destroyed. Germany didn't exist. So they had to do what the Russian masters ordered. The Russians, in order to give their policy a peaceful garb, began to establish a mesh of international trade treaties, in particular with practically all neighboring areas and even areas a little bit farther removed from the Soviet border.

This plan area which was created by trade agreements includes today Red China—if I may call Communist China simply Red China—North Korea, Albania, East Germany, Poland, Czechoslovakia, Hungary, and the Mongolian Republic.

Mr. ARENS. How does this Soviet plan area operate?

Mr. GARBUNY. There is a central plan in Moscow dictating to all these satellites, as we are used to calling them, what they have to do agriculturally, industrially, commercially, et cetera. Up to now these satellite countries had plans of their own which were put in step with the master plan in Moscow. Quite recently—I think this last disguise will fall and there will be one 5-year plan in Moscow simply taking in all these countries as a subcategory of the plan.

Mr. ARENS. What is the objective of the plan?

Mr. GARBUNY. To use these countries for Russian economy and just to make them colonies or servants of the Soviet economy without any

sovereignty of their own, without any economic or political life of their own.

Mr. ARENS. Let us move to the Soviet trade offensive outside of this plan area. First, however, the plan area embracing the satellite countries, if you will kindly address yourself to the Soviet trade offensive outside of the plan area.

Mr. GARBUNY. I shall be glad to do that.

On page 7, I begin with the story of the Soviet offensive elsewhere. I like to distinguish here three different groups. This is a mass offensive, but there are three different approaches. One approach or one offensive is directed to the Near East. I would prefer the word "Near East" to "Middle East" because it is actually the old Near East, the Arab world. It may well go into North Africa and up to Spanish Morocco if that is not stopped.

Then connected with the attack, the commercial attack, on the near eastern world is the attempt to rope India into the Russia orbit. I believe the Russian-Indian trade agreement of 1954 is perhaps the most portrayed agreement that the Soviet Union has concluded recently.

Mr. ARENS. Why?

Mr. GARBUNY. It is an agreement which branches out into practically every sphere of economic activity—exports and imports—comprising different major categories of commodities. You will realize that 59 major categories actually mean all the trade. That this is so is also borne out by the fact that the Russians will not only deliver equipment but they will send—and this is the dangerous part—the trainers, the instructors with the equipment to train the Indians. It does not take much imagination that these instructors, if past history in China is any example, will bring not only machinery and know-how but doctrine and the Communist Party line.

Mr. ARENS. Are you conversant with the fact that the United States Senate Subcommittee on Strategic Materials reports that we procure from India—by "we" I mean the United States—certain very strategic materials?

Mr. GARBUNY. I am not familiar with this particular report you mentioned, but I am from my war activity, of course, familiar with the fact that we got a good deal from India; for instance, very special type of mica which was very important then. Take Finland, if I may go back to the plan area. We used to do a lot of trade with Finland. But that is taken away. The same thing may happen in India if we don't watch.

Mr. ARENS. Would you say the Communist trade offensive in the Middle East and in India is part of a political strategy?

Mr. GARBUNY. Absolutely, absolutely. I am absolutely convinced of that.

Mr. ARENS. What is the third area now of the Communist trade offensive? You have spoken first of all of your Communist trade plan area with the satellites; secondly, of the Communist trade to offensive in the Middle East; and now what is the third area?

Mr. GARBUNY. The third area is what I would like to call the old democracies. It is no reflection because of the word "old." By this I mean a trade offense which is almost surreptitiously undertaken on countries like Great Britain, France, Italy, the Scandinavian countries, and quite recently in a very indirect way with the West German Republic.

Mr. ARENS. How about South America? Is that included?

Mr. GARBUNY. No, sir. That would be the fourth area for very special reasons.

Mr. ARENS. Let us maintain our interest on the third area, then.

Mr. GARBUNY. The offensive here, as far as I can see it, and this I must say again is only based on theoretical studies, it seems to me that the Soviets' move in the moment they notice there is a crisis. It does not take much reading to know there are crises continually in these countries because they are not back to their normal position from the ravages of the Second World War and all the strain they have been under after that.

As an example, one of the most striking examples, I felt, was the offer made to some British industrialists as reported in the New York Times in February—a Mr. Scott—an offer of over a billion dollars of goods to be delivered from England to the Soviet Union. This offer was made at the time of the Berlin Foreign Ministers Conference. It was like a bombshell. Everyone was upset. If the Russians can give so much business to England and no strings attached—they want to pay—why shouldn't we trade with Russia then?

This is an almost normal reaction. This is devilish psychology applied by the Russian Foreign Trade Ministry. They do the same thing in France and England. You would not believe the Russians even have a trade agreement with such far-out islands as the Faeroe Islands, which is the Danish unit north of the British Isles, and in the same relation to the Danish King that that island was before it became independent.

The Faeroe Islands deliver on the basis of a trade agreement of January or February of this year to the Soviet Union their fish catch almost exclusively. The Faeroe Islands do not need any other country. They exist on what the Russians give them. This is a very small example. I could multiply it with Iceland, Denmark, Sweden, Italy. May I call your attention to the way the Russians have handled the 100 million reparations payment on which they insisted from Italy?

When the Italians showed a weakness, they did that. But at the same time Mr. Togliatti was going all over the country. There seemed to be a possibility of a quick kill. "Those assets you hold in Rumania, in Albania, in Bulgaria, and which we have taken over, will be counted as part of the reparation," they said, which means the Italians, I don't know exactly what amount, but they will pay only a very small amount of this hundred million dollars. This is the way in which the western democracy is lured into the Soviet orbit.

Mr. ARENS. They are lured into the political orbit because of being lured into the economic orbit?

Mr. GARBUNY. Absolutely.

Mr. ARENS. May I invite your attention to the area of Latin America or South America as a fourth area of the Communist trade offensive?

Mr. GARBUNY. Gladly. I may call to your attention that on page 17 I have inserted a letter to the editor of the New York Times that I took the liberty to write in December of 1953 on the Soviet-Argentine trade agreement.

Senator WELKER. Was it printed?

Mr. GARBUNY. Yes, on December 14 in the New York Times. This agreement went by, unnoticed in America. I have been watching and

waiting. When I noticed this agreement in the Pravda in August, I made a mental note that I might write about it if nobody else mentions it.

Mr. ARENS. Maybe it went unnoticed to your judgment, but there are those on the internal subcommittee who did take note of it.

Mr. GARBUNY. I was thinking actually of the commercial journals and the daily papers which reported the fact, but not the importance of the agreement.

When I noticed nobody took the initiative, I began to write this letter. What I said then still stands, and I felt it might be best to attach it here. That is a very significant agreement for many reasons. The first reason is that it is the first straight agreement which the Soviet Union concluded with any Latin American country. The second reason is that Argentina, which in our mind has always been, if I may say so, a conservative and careful country, extended its hand to atheist Communist countries. That was the second important reason.

The third reason was this agreement is economically of absolutely no importance to the Soviet Union. One hundred fifty million dollars of goods each way is a drop in the bucket for the Soviet Union. The goods that go over have absolutely no relevance for the Soviet economy.

Senator WELKER. What are the goods, wheat?

Mr. GARBUNY. Yes. Hides, skins, oil, seed—similar agricultural goods which the Soviet Union can get from the Soviet countries. One hundred fifty million dollars, on the other hand, is important for Argentina's economy. So the favor economically in this agreement is for Argentina. They got machinery, transportation equipment, trucks, railroads, electrical equipment, refrigerators, etc.

Senator WELKER. What do you have to say with respect to whether or not this trade agreement with Argentina does not amount to, in fact, a chance for the Soviet Union—for the Communists, should I say—to send in technicians under the guise of being technicians but who are espionage agents, saboteurs, and men sent there destined to sell the Communist philosophy to the people of Argentina?

Mr. GARBUNY. Sir, this agreement does not provide, as the Indian agreement does, for sending of instructors or skilled personnel to establish plans. The Argentines apparently have that. But with each commercial treaty and with each unfolding of the treaty, because there will always be a trade mission, there will always be controlled personnel, there will always be a ship and a crew of sailors that come with the cargo. Though I have no knowledge of that, experience in trade matters tells me that as soon as you have trade going the Russian way, you need trade representation in Buenos Aires.

Senator WELKER. As a matter of fact, you know—and I think this committee has had some testimony to the effect—that the trade missions are infiltrated with nothing but Communist agents destined to sell their philosophy to this country.

Mr. GARBUNY. Absolutely. There is no doubt about it. Such a trade agreement will establish such a trade mission parallel to Amtorg in this country. This agreement, I may say, is in addition not a single agreement. Shortly after that Argentina concluded an agreement with Poland; in other words, with another country that belongs to the Soviet orbit—

Senator WELKER. As a matter of fact, doesn't Russia have trade agreements with all of the satellite countries now?

Mr. GARBUNY. Not with all, sir. I cannot give you the list, but with a substantial amount. I am sure, but my knowledge may be deficient. I must admit that.

Mr. ARENS. The Kremlin has the satellite countries integrated in various stages in their economic system, whether by trade agreement or pact or just by outright order?

Mr. GARBUNY. There is no doubt about that, but special trade agreements which I have come across as far as Argentina is concerned is only the Argentine-Russian agreement and the Argentine-Polish agreement.

Senator WELKER. I would like to ask your opinion about the political philosophy of Argentina. Is that a dictatorship or a republic, or is it destined, as you say, to the right or to the left or liberal or what? How would you describe that to the committee?

Mr. GARBUNY. This has been much on my mind, sir. I must say this: From all I can see, and I wish to be somewhat careful in wording this, Peronismo, the government of General Peron, is a dictatorship. It is a dictatorship the Latin way, which means a milder form of dictatorship. It is not a dictatorship exclusive to the right. In the Peronismo you have the proletarian, if I may use this word without reflection, as in the center of the movement. The Descamisados, the shirtless which are often referred to in the press and the literature, stand in the center of the Peron movement or government. If you read the late Mrs. Peron's book, the Reason of My Life, then you will find many passages that have almost, in my mind, a Communist ring.

Senator WELKER. Would you say it was socialistic?

Mr. GARBUNY. Yes; that certainly is true, except they have not formally adopted the Socialist dogma. They do not speak about Marx and the other Socialist theorists. You won't find that. You don't have the authors, but you have the substance.

Senator WELKER. Being the very profound expert that you are, I wonder if you could refresh my memory with respect to the activity of Argentina at the Caracas Conference when our Secretary of State went there. As I recall from the press, there was a movement then that all of the Americas—Latin America, North America—should unite together against communism. Do you know how Argentina voted on that matter?

Mr. GARBUNY. I do not know. I am not sure, but I do know that Argentina was not among the countries that abstained from vote as Mexico did. I believe that is correct.

Senator WELKER. I had the impression that Argentina abstained from voting, and I am not sure.

Mr. GARBUNY. I would not know, sir.

Senator WELKER. I believe the record will show that she did abstain from voting along with Mexico.

Mr. GARBUNY. That is interesting.

Mr. ARENS. Mr. Garbuny, can you express to this committee the potential threat of Soviet gold to destroy the economy of this country?



Mr. GARBUNY. This question is more of an afterthought with me. It has cropped up in the press time and again, and especially in the hearings. I believe it is the Bridges-Reece bill. I notice Mr. Randolph Burgess of the Treasury brought out the point that rise in the price of gold is not desirable because the Soviet Union would be profiting from it. I am not authorized to interpret Mr. Burgess, but it seems to me this statement is based on the assumption that the Russians are using gold wholesale to attract trade and that they still have more to use to disrupt the normal channel. If the price of gold is raised, then they would have still more power.

Senator WELKER. May I interrupt at this point, and I will ask you if it is not a great duty of ours to try to make friends in the Latin American countries, to have them on our side, and to have them appreciate our way of life and we appreciate their way of life?

Mr. GARBUNY. Certainly, sir. Every effort unsparingly should be made to win over every Latin American country. They are our most natural allies on this side of the hemisphere. If I may utter a word of hope, I believe it is possible. It can be done.

Senator WELKER. But I take it you agree with me we must use sane, sensible approaches and not to go overboard to try to help a country which might turn against us in the hour of crisis.

Mr. GARBUNY. A hundred percent I agree with that.

Mr. ARENS. Do the Russians have their own gold mines and access to the gold resources of the world?

Mr. GARBUNY. Russian gold has always been a matter of guess. There is no doubt that the Russians have gold. They have gold, certainly, in the Lena region, in the Lena River in Siberia. They have gold in the Kolyma region. There are two questions we must ask. The first question is, How large are the deposits? What are the results of prospecting, and have the results been made public?

The second question is, Even if they have large deposits about which we do not know, do they mine them? Are they in a position to mine them, or is mining possible? Both questions have never been reliably answered.

If you follow our published statistics or those of the World Bank or the International Monetary Fund, you will always come across the remark "estimated." We have some evidence, however, that the Russians must have some gold and gold of their own because there are gold sales from time to time. The Russians sold substantial amounts of gold in the free gold markets of Western Europe recently, say since last October. They did sell some gold, the reports were, to the London firm of Montague & Coe with the intention this gold would reach eventually the Bank of England, and apparently it has reached the Bank of England.

There were sales of gold in France. Whether these sales were substantial so that they could be considered an economic weapon is pretty much up in the air.

I brought in this question because there is the question of the Union of South Africa. You may ask, What is the connection here? Let me state it briefly please. The South African Finance Minister has been carrying on a very strong up-hill fight for a rise in the gold price and never succeeded so far, with minor concessions excluded. He believes that his country would profit immensely from a rise in the price of gold.

That is obvious because South Africa is a large gold producer. South Africa should be considered an underdeveloped area. If the rise in the price of gold becomes the truth, this undeveloped area would have additional funds for development. Considering that the Russians, of course, have also an art in stirring up trouble, one should reconsider the question and perhaps say that in the consideration of a rise of the price of gold that Soviet gold should not be an issue. That was the idea that I had in mind when I spoke about Soviet gold.

Senator WELKER. You are speaking about South Africa?

Mr. GARBUNY. The Union of South Africa.

Senator WELKER. Have you made any study with respect to antimony down there?

Mr. GARBUNY. No, sir; I have not.

Senator WELKER. But I take it if our country imported antimony from South Africa or the Gold Coast or wherever it is mined there, which is much cheaper than our domestic mines, and as a result thereof the largest domestic mine in the United States has been closed since August 1, 1951, that might be of some assistance.

Mr. GARBUNY. No doubt about that.

Mr. ARENS. Mr. Garbuny, what in your judgment are the basic steps which should be taken as a matter of policy by the Government of the United States in order to stem this tide of Communist encroachment, worldwide?

Mr. GARBUNY. Sir, I can of course speak only from the point of view of trade and economic measures. That is the only field I am competent or believe to be competent in. In the other fields there are too many issues which I do not know enough of in order to have a sound judgment.

There is one thing to me of paramount importance. Since the Russians have a trade war, we must retaliate. We must do everything to get the trade of those countries who have not yet fully fallen into the claws of the Soviet to see that these countries do not trade with the Soviet Union but rather with us or among themselves. In the interest of our own domestic economy we cannot take over all the trade of all the world. That would not be possible. But we can do an awful lot through financial measures, tariff measures, to attract imports and stimulate that way exports to countries which would otherwise trade with the Soviet Union.

Senator WELKER. How about these imports we are enticing our friends to give us; are they destroying the domestic economy of our own country?

Mr. GARBUNY. This is a very serious problem, sir. There are two possibilities. First of all, there would be the question of simply buying up and storing, depending on the goods, until some time these goods can be resold by the United States elsewhere. The question of subsidy to industries which suffer from imports should be vented. Certainly it might be possible to advise potential exporters to us to do a little shifting in their industrial base.

Secondly, we could extend credits to other countries so that they may be in a position to buy what we do not want to buy. If I may take a hypothetical case which has at the moment no real rational basis, if we gave an extensive credit to a South American republic that is still an underdeveloped area to buy machinery from Great Britain, that would be such a thing where we could help immediately and



divert British trade with Russia to this hemisphere. Long-term credit or medium-term credit would grant us a return later on. There is always the hope that during the time we are engaged in such an operation there is a change in the Soviet Union.

Senator WELKER. I have only this observation to make with respect to your subsidy philosophy: I believe it was Lenin or Stalin who said they would destroy our country economically without firing a shot, and if we keep on with this subsidy business, that is just exactly where we are going because that is just taking it out of the pocket of the taxpayer and giving it away.

I do not want to engage with a learned gentleman such as you with respect to a problem so acute and so serious because I do not profess to be fully advised on the matter. But a conference of Western Senators meeting with the mining industry just a few days ago in which the mining industry, which is paralyzed with respect to lead, zinc, and antimony due to our imports from overseas—they blankly made the statement that subsidy was not the answer. Tariff would have to be our only relief. The Tariff Commission, I think you are advised, so recommended to the President in May of this year.

Mr. GARBUNY. Sir, that is very interesting. I spoke in general terms. We would have to go from industry to industry. This would be a case where perhaps our industry would have to produce for the home market, and the exports that come to us from other countries would have to be shunted on another rail to another country. Possibly that could be done through long-term contract which has been given from this country to some group or syndicate in South America. These things are not entirely new.

Mr. ARENS. Is it possible to have a peaceful coexistence economically with the Soviets?

Mr. GARBUNY. Sir, from what I have said, I don't think so. I just do not think so. All the indications are contrary to that.

Mr. ARENS. What in your judgment would be the effect if this Nation should sever diplomatic relations with all the Iron Curtain governments and thereby, so far as possible, sever trade relationships?

Mr. GARBUNY. That is a very difficult question for me to answer because there are many other points involved. There is one thing, sir, that I would like to say here which occurred to me when I heard about this for the first time. The Embassy here on 16th Street, or wherever it is, is probably a listening post and nothing more.

Senator WELKER. Not only a listening post—I do not think you want to limit it to that, do you?

Mr. GARBUNY. No. Whatever you want to call it, it is not an embassy in the sense of international law. If you send them home, you have another problem on your hands. That is the problem of the delegation in New York, the United Nations. It is a problem of Russian citizens in the secretariat. It is a problem of who works with other groups or nationalities there. So that the rupture of diplomatic relations, if it extends only to the Soviet Embassy on 16th Street, is of not much practical effect in terms of internal security.

Mr. ARENS. How about extending it right down the line?

Mr. GARBUNY. That is an entirely different thing. I do not find that in S. 247. If you do that, you have them out. But it would be for a man in international relations to tell you, not for me as I am only

in economics, what generally the result of such severance is. Whether you have still the possibility of negotiating—take the Berlin situation. How would that internationally affect the Berlin situation for occupying forces? You have the question of the armistice in Korea. About all this I do not have the technical equipment to answer.

I was very intrigued when I saw Senate 247, and it started me thinking; but I have no real answer on that because I feel there are so many angles that have to be vented. Perhaps one thing, sir—that is the psychological effect.

Senator WELKER. Let me interrupt to say we have been planning psychology until we are going to psychology ourselves right out of existence, in my opinion. I have been listening ever since I have been in the Senate and prior to coming here about this psychological warfare. We have taken last in every move I have been conversant with. So I am not going to be impressed with this psychological business. I think it is about time that America stood up on its own feet for a change and stopped making fools of themselves because while we are playing psychology, as we have done for all these years, you have seen this country go down and down and down and communism gain and gain and gain. Some 800 million people since we started that wonderful philosophy of psychological warfare, or whatever you might term it, have been enslaved.

Mr. GARBUNY. You absolutely stated it.

Mr. ARENS. We appreciate very much, indeed, your testimony today. Thank you for your appearance.

Senator WELKER. On behalf of Chairman Jenner, the entire Committee of Internal Security, and the staff, we certainly appreciate your coming here at time and expense to help us in our problem. You have been a profound witness. We appreciate your contribution to our cause. Thank you very much.

Mr. GARBUNY. Thank you.

Senator WELKER. We will now be in recess.

(Whereupon, at 12:35 p. m., the committee recessed, subject to call.)

# STRATEGY AND TACTICS OF WORLD COMMUNISM

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THURSDAY, JULY 8, 1954

UNITED STATES SENATE,  
SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION  
OF THE INTERNAL SECURITY ACT AND OTHER INTERNAL  
SECURITY LAWS, OF THE COMMITTEE ON THE JUDICIARY,  
*Washington, D. C.*

The subcommittee met at 10:30 a. m., pursuant to call, in room 457, Senate Office Building, Senator William E. Jenner (chairman of the subcommittee) presiding.

Present: Senators Jenner (presiding) and Welker.

Present also: Richard Arens, special counsel; Frank W. Schroeder, professional staff member; and Edward R. Duffy, investigator.

Senator JENNER. The committee will come to order.

Mr. Taylor, will you be sworn to testify. Do you swear the testimony you will give in this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TAYLOR. I do.

## TESTIMONY OF HENRY J. TAYLOR, NEW YORK CITY

Senator JENNER. For our record, will you give us your full name?

Mr. TAYLOR. Henry J. Taylor.

Senator JENNER. Where do you reside, Mr. Taylor?

Mr. TAYLOR. 230 Park Avenue, New York.

Senator JENNER. What is your business or profession?

Mr. TAYLOR. I am a journalist and economist. I have spent my life on the question of international economics.

Senator JENNER. With that background, Mr. Arens, you may proceed with the questioning.

Mr. ARENS. Mr. Taylor, at the request of the Internal Security Subcommittee, you have prepared a statement for submission for the record, is that correct?

Mr. TAYLOR. Yes.

Mr. ARENS. Mr. Chairman, I respectfully suggest that Mr. Taylor's statement be at this point incorporated in the record, and that in accordance with the custom of the committee, you now proceed to speak extemporaneously on the subject matter.

Senator JENNER. The prepared statement may go in the record and become a part of the record. Then you may proceed, Mr. Taylor, in your own way.

(Mr. Taylor's prepared statement follows:)

TESTIMONY OF HENRY J. TAYLOR BEFORE THE INTERNAL SECURITY SUBCOMMITTEE  
OF THE SENATE COMMITTEE ON THE JUDICIARY—TASK FORCE ON STRATEGY AND  
TACTICS OF WORLD COMMUNISM

Gentlemen of the Senate, this subcommittee is dealing with a subject very dear to my heart. I appreciate your invitation to appear before you and I would be very grateful were it possible for me to make even the smallest contribution to your considerations.

I note your chairman's remark during an earlier testimony on June 10, that "the Communist conspiracy in the United States is only one tentacle of a world-wide octopus which has as its principal target the United States of America."

May I suggest that one of the other tentacles is the Soviet potential through East-West trade from the Soviet point of view.

We read about a new treaty nearly every day, made by England, France, Italy, Switzerland, Greece, Sweden, Norway—countries that not long ago thought and feared that by now they might be at war with the Soviet Union.

Top Red economic commissars in the Gosplan Bureau, which controls the nation's entire economy, back up the Soviet Foreign Office in greeting visiting treatymakers and European businessmen who follow close behind; such as the 33 British businessmen who recently arrived in special Soviet airline planes.

This, of itself, brought about the biggest burst of Anglo-Soviet business activity ever known in the Russian capital; directors and technicians of 12 British firms negotiating with 5 Soviet trading agencies. And what these buyers have found in Moscow has made their eyes pop with wonder.

The Official Soviet memorandum they received from Gosplan's Central Statistical Board listed things now in good supply in the Soviet Union. The list makes amazing—and thought-provoking—reading:

Oil, iron, manganese ore, gasoline, kerosene, aluminum, large boilers, diesel engines, roller and ball bearings, synthetic rubber, chemicals, dyes—and mountains of wheat and tea.

Take oil, for example. Russia was supposed to be pinched for oil. Yet Russia is selling petroleum products freely to Finland and two of the British merchants were able to sign a series of five contracts to buy three and a quarter million dollars' worth of high-grade Russian refined oil products the first day they arrived. The British negotiators said they were buying 100,000 tons of these products mainly (interestingly enough) for resale in European markets.

In turn, the Gosplan chiefs bought 50,000 tons of refined sugar from another Britisher, the biggest such sale in more than 20 years. Had she wished, Russia could have bought this from her satellite states. Several are exporting sugar. And after the contracts were signed the British merchant asked the Gosplan man the equivalent of "How come?"

"Trade, not aid," he answered in unsmiling parody of our free-world slogan.

The delegation from Paris announced that Russia's buying under a 6-months-old French trade agreement would now be increased. Greek, Argentine, Swiss, Swedish, Norwegian and Italian delegations have made similar announcements, or new treaties, since Malenkov took over. In Zurich Swiss international bankers estimated to me that more than 20,000 freight cars of materials from Italy alone have found their way behind the Iron Curtain in recent months.

Like the bells on the pigeons of mythical Shangri-La, the siren song of Soviet trade, backed up by Soviet gold, sounds sweet in Europe's ears, especially with American subsidies and aid declining. But the bells should be ringing out a warning.

Right now, Russia, buying at high prices, looks good. Beyond that, West-East trade looks so good (and profitable) that it obscures the fateful prospect of what will happen when giant Russia, already consolidated, turns into a seller of many products Europe makes today.

Products, you say? We laugh at most Russian products we see illustrated; and certainly what is being handed to Soviet civilians is of mighty low order. But come with me for a moment to Finland. It was there I had my first awakening to what the Russians can produce when they want to.

With three Finnish Army reconnaissance scouts I was traveling along the Russian frontier in the Arctic forests. A Russian patrol passed and paused on its side of the boundary.

Now, Russian-made radio sets for civilian entertainment are fully as Jerry-built, shoddy and primitive as we imagine. Yet here stood that Red Army patrol communicating with its command post over a Russian-made military walkie-talkie as good as any to be seen anywhere in Europe or America.

In Helsinki the Chief of Staff of the Finnish Army, hardly a man to overestimate anything Russian, confirmed to me that the quality of Russia's military radios, radar stations, complicated army communication layouts and devices is excellent in workmanship and design, and amazingly abundant.

The Red civilian automobile, the Probeda, the "people's automobile," is a notorious dud; so is the civilian Moskovitch car. Both are poorly made and collapse quickly. Yet Russian-made military trucks are solidly built and efficient. So are Soviet tanks.

Russian civilian ironwork is crude and clumsy. Yet Russian-made artillery of the most intricate type is the equal today of any in the world. It laid down barrages on us in Korea heavier than any we encountered from the Germans in the last war.

"When the Russians concentrate on getting something done," Finland's Chief of Staff explained, "it's clear to us that they can get it done—done surprisingly well."

Under Stalin they simply concentrated on military output, that's all. And of course there remain numerous bottlenecks and woes obstructing Russia's productivity under Malenkov. But when they concentrate on consumers' goods, watch out!

For that is the key to the Red mystery of the East: concentration. They concentrated on jet airplanes, made a lot of them, and good ones. They concentrated on artillery, made a lot of it, and good artillery. They concentrated on tanks, made a lot of them, and good tanks. They concentrated on intricate radar interception devices, and ended up with a warning network far more extensive and fully as efficient as ours.

The giant consolidated nation that can do these things can make an awful lot of alarm clocks and whatnot any time it wants to and sell them—or barter them—cheaper than Europe can imagine today.

Americans, above all others, should respect that word "consolidated." While Western Europe is still chopped up into some 18 separate nations, walled off from each other by barbed-wire entanglements of tariffs, currencies, cartels, etc., the Soviets have constructed a vast unified trade area bigger than anything the world has ever seen. It stretches from Berlin to Shanghai. It includes Russia and all its satellites, comprising some 700 million people. Think what that means in terms of both the economics and the economies of mass production, with unlimited and unrestricted access to raw materials and to markets. Even our own United (48) States are small in comparison.

Both as a buyer and a seller of consumer goods this vast Soviet trade area can have an overpowering political effect on a divided Europe. As in the Nazi era, markets can be wiped out through the dumping of Russian products. Or conversely, Soviet orders can be switched about from country to country in such a way as to produce crisis, unemployment, and political upheaval within those countries.

The grim and inescapable fact is that there has been enormous industrial and technical progress in the Soviet Union since the war; stupendous by Russian standards and enormous even by our own.

Considering Europe only, there are two population blocs exactly the same size. Western Europe is a disunified grouping of 200 million people. The Soviet Union has 200 million people all its own, completely unified. Russia already produces three-fifths as much steel as all Western Europe and more than half as much coal and electricity. But it is the rate of acceleration, the high speed, in the overtaking of Western Europe by Russia that counts the most.

Britain, for example, as largest coal producer, still has not recovered her pre-war coal output. She now plans to increase it 20 million tons a year by the end of the next 12 years. Russia has increased her annual coal production 40 million tons since 1950.

Western European steelmakers, even with Marshall plan aid, have increased annual capacity only 8 million tons since the war. The Russians have added twice that capacity since the war and are building mills to double today's total capacity by 1960. It is estimated that by 1965 Russia will equal or surpass all Western Europe in basic industrial production.

Further, much of this output is coming from new, and therefore, modern, machines; and the evil Communist system, of course, contains its own built-in labor supply. Even aside from slave labor, such as at Dalstroy, general manpower is unlimited—and pitifully cheap. Actually the Russian workman is taught that it is patriotic to be exploited for the motherland.

This, then is the accelerating power for commercial aggression and world upheaval contained in that peasant race now emerging in the industrial age.

It was fear of the dangers and unimaginable horrors of another war, coming from Russia, that aroused and pressed Western Europe toward quarantining this aggressor, its satellites, and its appendages like Red China, by measures both military and economic. Fear is the chief cement which has bound those quarantine efforts together. But as Malenkov holds out the cat-bait of "peace" and fear recedes, the will is weakened, the cement crumbles, the quarantine edifice tends to fall. In fact, the incredible idea seems to take its place: that the way to make communism fail is to help it to succeed.

In the long run, I do not see how the dangers in ignoring the results can be underestimated if Western Europe's employment is to be protected, her standard of living preserved and her very life itself defended against the newly competitive Soviet Union that is to come.

For our part, I assume that everything we do in national policy will be dedicated to combating the fallacious idea that the way to make communism fail is to help it to succeed.

Thank you again for your invitation to be with you today.

Mr. ARENS. May I ask you, first of all, Mr. Taylor, on the basis of your background and experience and observation of the situation pertaining to the world Communist movement, who, in your opinion, has the initiative in the "cold war"?

Mr. TAYLOR. Russia.

Mr. ARENS. Upon what do you base that observation?

Mr. TAYLOR. I think the initiative divides itself into three parts:

First, the military initiative. That they retain because they are aggressors, and the initiative is always with the aggressor in the early part of any conflict.

Next, economic. Certainly they retain the economic initiative by their infiltration and aggression in Europe and the Far East. The tragedy, from my viewpoint, is that the Russians are consolidating their economic strength faster than Western Europe is consolidating its economic strength.

Mr. ARENS. Would you pause to elaborate on that, please, Mr. Taylor. What do you mean by the consolidation of the economic strength of the Soviets?

Mr. TAYLOR. Europe is an area of 18 countries divided by a patch quilt of tariff walls and barriers and quotas. The Soviet Union is approximately the same population block, 200 million people, without any of these obstructions at all. They are consolidated by the tyranny of the Communist movement and by their control over the satellite states, much of which is financial.

Mr. ARENS. Now if you will kindly proceed with your overall statement.

Mr. TAYLOR. The third way they retain the initiative is psychological. They hit on the racket of using conferences as a cheap propaganda tool, and employ this again and again and again.

They work us into an awkward position when it comes up on the calendar to hold another propaganda conference, which they do with the regularity that "Uncle Tom's Cabin" used to show up in certain towns. Then if we don't go to the conference, they make it sound as if we are not interested in peace. Accordingly, after a certain buildup period, in which they accuse America of not being interested in peace unless they attend a propaganda conference, they create enough back pressure so that we finally show up. Then we have it again. We sit there and listen while they speak to the world.

I have spent a great deal of time in the Far East. Speeches that go over our heads as Western people are very impressive in the Far East. I remember going to the U. N. and listening to this bandit from North



Korea come and call our country, in our own borders, all that he did. You remember the little general. That was so preposterous that it sounded plain outrageous and insulting to us, but it was very impressive to oriental ears, because here was a man from Indochina on the home plate of great America, challenging us to do our worst. This, coming from an oriental, is music in oriental ears. Every statement Malenkov makes is dedicated to the Far East.

Mr. ARENS. You have made a study, have you not, Mr. Taylor, and traveled worldwide in the pursuit of that study, of the Russian trade offensive?

Mr. TAYLOR. Yes.

Mr. ARENS. Could you tell the committee in essence, in summary form, those elements in your statement with regard to the degree to which the Russian trade offensive is destroying the world markets for the West?

Mr. TAYLOR. I wrote a piece about that in This Week magazine, distributed across the country to about 11 million people. The problem with the Russian trade offensive is not their position today, but the rate at which they are overtaking Western Europe. The figures are very complicated. I can give you a few.

Mr. ARENS. If you would, please, in summary form.

Mr. TAYLOR. All right. Let's take the list of commodities, and so forth, that the Russians offer to the trade missions who come to the Soviet Union today. This is the official list supplied by the Gosplan central statistical board, the Gosplan bureau being the bureau that controls the entire Russian economy. When our British friends and others arrived in Moscow recently, they were given a list, for their guidance, of things that were in good supply now in the Soviet Union. That wasn't a propaganda list, because they were standing there to do business on these items. So, Senator, wouldn't you agree this was not something that they had just pulled out of the air?

That list included, it seems to me, some amazing and very thought-provoking items. For example: oil, iron, manganese ore, gasoline, kerosene, aluminum, large boilers, engines, diesel engines, roller and ball bearings, synthetic rubber, chemicals, dyes, wheat, and tea.

The first day these men were there, British merchants were able to sign a series of 5 contracts to buy three and a quarter million dollars worth of high-grade Russian refined oil, and they were buying 100,000 tons of these products, mainly for resale in the European market. The Russians bought 50,000 tons of refined sugar from another British concern, and that was the largest single sale in more than 20 years.

Interestingly enough, they could have bought that sugar from some of their own satellite states, because, although it isn't commonly known, their satellite states are exporters of sugar. But they didn't. Because of this whole cat-bait idea of peace, they bought it from the British.

Mr. ARENS. What is the significance of that, in your opinion?

Mr. TAYLOR. To crack up the Anglo-American alliance and the economic front, as they are trying to do on the military front, because the main line of Soviet policy, in my small opinion, is to separate Britain and America.

Mr. ARENS. Is there, in your opinion, any distinction or any consequence to be made between strategic and non-strategic material in international trade?

Mr. TAYLOR. In effect, I think it is Tweedledum and Tweedledee.

Senator WELKER. May I have a question, Mr. Chairman?

Senator JENNER. Senator Welker.

Senator WELKER. With respect to the sale of oil that, allegedly, Russia was pinched for, I will ask if it is not a fact that at the time she sold oil to Britain she also sold oil to Finland?

Mr. TAYLOR. Senator, I was in Finland. Sure, she is a ready seller of oil to Finland.

Senator WELKER. Vast quantities, sir?

Mr. TAYLOR. No, because they don't require vast quantities.

Senator WELKER. All they require, or most all they require?

Mr. TAYLOR. Sure. There is the rub in these statistics. I appreciate your comment about that. When folks say, "After all, this doesn't amount to much because they only sold a little," that doesn't prove they couldn't sell a lot if there was a market for it. That is nearly as bad as saying, "After all, they only stole \$100 out of the bank." Well, believe me, if there had been more money in the bank, the burglar would have got it. It isn't his fault that he didn't steal more than \$100. I will bet you that the United States could buy enormous quantities of oil from Russia today if they wanted it.

Mr. ARENS. What is the significance of the Russian gold supply in the manipulations of the Soviets in the world economy?

Mr. TAYLOR. Gold from any country is as good as any other gold. It is very dirty gold because it is mined by Soviet slave labor. Their projects are vast, and they have quit giving out any figures. They used to give their figures to the World Bank. When they made their new gold strikes in the Dalstroy plains area in Siberia, they quit giving any production figures.

Russia is generally regarded as the No. 2 gold producer, after Africa. Today they very possibly are No. 1. Many experts believe that there is substantially more gold in the Russian gold stock today than we have at Fort Knox. We don't have quite as much gold in Fort Knox, you know, as the impression is when compared to the needs of the world. We couldn't go very far financing the needs of the world with \$22 billion.

Senator WELKER. May I ask a question at this point.

Mr. Taylor, with respect to our domestic mining of gold, you realize it to be a fact that many of our gold mines have been forced to shut down because of the high cost of labor and the tremendous expense involved in the operation and prospecting for gold? Is that a fair statement, sir?

Mr. TAYLOR. Senator, I not only realize it, but I consider it an economic tragedy. This is likewise true, as you know better than I, in Alaska. While our gold mines are shutting down, the Russians are all out, with slave labor, producing gold by the mountainload. I think the best information we have is that they are even rotating 120,000 people through their gold fields. When these pitiable millions die, they just replace them.

The thing that is shutting our gold mines down, as you know so well, is our high costs. The Russians don't have that. It is slave labor.



Russia produces enough gold, and she will buy what she wants. Gold is convertible to any currency. In the gold markets of the world, in Zurich, Russia can sell her gold as well as anybody. When they sell it, what do they get for it? Any currency or bank credit on earth, including American dollars.

Mr. ARENS. Then do you consider the Russian gold supply produced by slave labor as a threat to the economy of the West?

Mr. TAYLOR. In the economic area, I think it is their secret weapon.

Mr. ARENS. What, in your opinion, is the production potential of the Russians and of the Soviets to produce or outproduce Europe and perhaps the West?

Mr. TAYLOR. They are away up there now, but they are growing, and that is the problem.

May I digress on this question of gold for one moment. You notice also they don't need to retain any gold reserve for their own currency. I have some figures on that, if I might submit them.

Mr. ARENS. They are in your prepared statement. I wonder if you could just extemporaneously now summarize them, Mr. Taylor, please.

Mr. TAYLOR. I will. Let's start with a few basic factors. This is on the point of the acceleration, Russia is producing now about three-fifths as much steel as all of Western Europe and more than half as much coal and electricity. But again, it is the rate of speed of acceleration.

Great Britain, as the largest coal producer, still has not recovered her prewar coal production. She isn't back up there yet, and the war has been over 9 years. She plans to increase it 20 million tons a year by the end of the next 12 years; 20 million tons increase by the end of the next 12 years in England, the biggest coal producer in Western Europe; whereas the Russians have increased their annual coal production 40 million tons since 1950.

Senator JENNER. Forty million in less than 4 years.

Mr. TAYLOR. This on the statement of the Swiss, Swedish and other engineers who put in the machinery.

One of the fallacies of our day, in my small opinion, is that we don't know anything about Russia. It is the same thing that used to happen to me when I came back from Germany. Again and again during the Nazi buildup, people would say, "What could you see in Germany?" The answer is, of course, you can't see how many airplanes they are making, you don't know how many proximity fuses they have or whether they have it or not, but you can see industry operating in a country.

What did people think they were doing when plants were running day and night, and chrome was disappearing out of the inventory? It certainly wasn't going on bathtubs. It was going into armaments.

Take the steelmakers in Western Europe. I have never seen a breakdown of how much of our Marshall plan aid went into the reconstruction of the steel programs in Europe, but as everybody knows, a vast amount of it did. Yet, with all our Marshall plan aid since the war, the European steel producers have increased their capacity only 8 million tons. The Russians at the same time have added twice that capacity since the war, and they are building today mills to double their today's capacity by 1960. Nothing like that is happening in Western Europe.

It is estimated that by 1965, which is only 11 years from now, Russia will equal or surpass all Western Europe in basic industrial production. It is the speed of this pickup that concerns me.

Mr. ARENS. Mr. Taylor, under date of May 13, the Senator from Indiana, Mr. Jenner, and the Senator from Nevada, Mr. McCarran, introduced in the Senate a resolution, Senate Resolution 247, which would call upon our Government to sever diplomatic relations with the Soviets and to take the initiative in convoking an international conference for the purpose of stemming this tide.

In the basis of your extensive background and experience and years of study of the rising menace of the Communists, what would be your reaction and appraisal of that resolution?

Mr. TAYLOR. That is a very embracing question and a complex one. In principle I would support that resolution, but not as an isolated measure. I think that resolution is of great importance and value, and I would like to see it enacted as a part of a general program by which we seized the initiative. So long as we don't have the initiative in the diplomatic, psychological, military, or economic areas, the Russians will in time win the "cold war" as they are, in my opinion, doing today.

Senator WELKER. May I ask a question?

Senator JENNER. Senator Welker.

Senator WELKER. Mr. Taylor, do you have an observation with respect to the effect that resolution might have upon the freedom-loving peoples of Russia and the satellites, who, from certain testimony we have had here before us, would love to see that, from the psychological standpoint, the fact that we are not going down the road of the Communist dictators who control so many millions of people.

Mr. TAYLOR. Senator, I would believe—and I might be completely wrong about this—that you would have to separate the effect in terms of its effect inside the Soviet Union and in the satellite states. I think they would be different. I think it would be very much more effective in the satellite states—that is a great advantage, a great plus—than within the Soviet Union itself.

Mr. ARENS. Under date of June 18, the Senator from Indiana, Mr. Jenner, the Senator from Nevada, Mr. McCarran, and the Senator from Idaho, Mr. Welker, introduced a bill, S. 3632, which would make it a felony to import into the United States or to ship in interstate commerce any commodity or goods produced by slave labor as a part of this program of quarantining the Soviets. What is your impression or reaction to that proposal?

Mr. TAYLOR. I think it is indispensable.

Mr. ARENS. Indispensable?

Mr. TAYLOR. Yes.

Mr. ARENS. Mr. Taylor, the Senator from Idaho a short time ago introduced a resolution, Senate Resolution 169, which would call upon the President of the United States to proclaim 1 day a month for a period of a year as a day of prayer, on which the people of the United States would pray and ask for divine intercession and guidance in behalf of the millions of people who have been enslaved by the Soviets.

On the basis of your extensive experience, what is your reaction to that proposal?

Mr. TAYLOR. Quite aside from any experience I may have had, purely as an American, I think that it is a source of pride and stimulation

to realize that a distinguished United States Senator would concern himself with the spiritual values. It seems to me this resolution is extremely desirable, very useful, and I would not feel it proper to allow this occasion to pass without attempting to congratulate the Senator.

Senator WELKER. Thank you.

Mr. ARENS. On the basis of your experience, Mr. Taylor, can you express to the committee your view as to whether or not our Nation and its policies can cooperate and negotiate with the Soviets on any sound foundation, or are those in the Kremlin people with whom you can in good faith negotiate and cooperate?

Mr. TAYLOR. Gentlemen, I could answer that question if anybody could tell me how you do business with unreliable people. I don't know how to do business with unreliable people. In my opinion, nobody else does. The word "coexistence" has been kicked around like other words, and has attained something of a nice sound. I believe we are going to exist with the Russians for centuries and centuries. I don't think they are going to evaporate. I don't think Communist control over the Soviet Union is going to disappear.

That doesn't imply either a happy life or a successful life. I think the statement that we are not in an instant of tension but an age of tension is well made. In the meanwhile, in American national policy I assume that, contrary to some of our friends abroad, we are going to do everything we can, so help me, to beat down the fallacious idea that the way to make communism fail is to help it to succeed.

Senator JENNER. In other words, you think the policy that is being followed has been building up and fattening communism rather than destroying it?

Mr. TAYLOR. I wouldn't make that criticism of American policy. I wouldn't make that criticism of the coalition policy with which we proposed to face the Soviet Union. Napoleon once said, "Give me a coalition to fight against." Every coalition is difficult, but to the extent that we think that if you give the Communists enough rope they will hang themselves, in my opinion the more rope they get the more people they will hang.

Mr. ARENS. In our private conversation prior to this session, Mr. Taylor, you alluded to the Russian trade offensive as a siren's song or bait. Would you elaborate on that, please?

Mr. TAYLOR. This is one of the most serious problems facing Dr. Adenauer. I went to Bonn to see Dr. Adenauer. He is a very courageous and honorable man. The Germans have now for the first time in my lifetime honorable and good leadership. I think the open prayer of the free world is that the German race will go in a direction that would be new for them, under leadership so dramatically different from the Kaisers or Hitler.

Dr. Bruening is making a bid for return to political power in Germany. As you may recall, he left Germany in 1932, after he had been Chancellor, and came to Harvard University and taught there in government for 13 years. He is now professor at the University of Cologne, and Dr. Bruening is proposing German neutrality. He says there will be a depression in the United States, and that trade with Russia will be indispensable to the Germans.

Trade means employment. Employment is a pressure that very few political figures can resist and hold their jobs. This is the pressure behind England. It is very difficult for the British to have cotton mills idle in Manchester and turn down textile orders from Russia. That is generally attributed, I think, to an affection by the British Labor Party for the Soviet Union. I think it is much more limited in influence than it is generally regarded. I think it is primarily an employment question, and that cuts across all parties.

Senator WELKER. May I ask a question, Mr. Chairman?

Senator JENNER. Senator Welker.

Senator WELKER. By like token, Mr. Taylor, I hope you will agree with me that it is very difficult for a family-owned mine, the largest domestic producer of antimony in the United States, located at Stibnite, Idaho, in my home State, to be closed down since August of 1951, possessing the world's finest antimony smelter, when at the same time we are importing antimony at a premium price far above that offered to our domestic producers, from Bolivia, the Gold Coast of South Africa, and other areas.

I trust you will agree with me that it is very difficult for these people to stand that, too.

Mr. TAYLOR. As Americans, from my viewpoint it is incredible that they should be called upon to stand it, Senator.

Senator WELKER. I will not go into the lead and zinc and other tragedies that we have debated so many times on the floor, but they are in the same dilemma that the antimony situation is. Our workers have been cut back. Lead and zinc are being imported at prices far in excess of that offered to our domestic producers. It is difficult indeed, it is sad indeed, for the domestic mining industry here.

Mr. TAYLOR. I am not familiar with this subject, but in principle I think that most reasonably minded men would have to agree, if they thought it through, that protection, per se, is not necessarily evil, you know. It seems to me that there are not very many thoughtful people who don't realize the importance of world trade. I get a little tired hearing the importance of world trade talked all the time. I have spent my life in it. This is like telling you or me something about the importance of water. But there are other things that are important, too. One is domestic prosperity.

Obviously you have to strike a balance between those. If you are going to have world trade at the expense of domestic prosperity, then the importance of world trade decreases and the evils of unemployment take its place.

So obviously you have to consider both factors, and each one of these problems, it seems to me, has to be resolved in terms of balance. You can't say that we will trade with the world no matter what happens to our condition here at home.

Senator WELKER. Even though it results in the weakening of our country.

Mr. TAYLOR. If you weaken the country, in the long period you are not going to be in a position to trade with anybody.

Senator WELKER. Right. Some day, I assume you will agree with me, it might be necessary—we hope it will never be necessary—that we may have to go back to the fundamental law of nature, to wit, the law of self-defense, and we need these industries working here.

Mr. TAYLOR. My understanding is that we are in that position today, that we are talking self-defense here, and that we are using world trade as an instrument of self-defense.

But in my opinion it is a very complex instrument, and when the effect of its use is to undermine the productivity of America, then I think that use is wrong.

Senator WELKER. Thank you.

Mr. ARENS. I have no further questions.

Senator JENNER. Any further questions, Senator?

Senator WELKER. No further questions.

Senator JENNER. Mr. Taylor, we want to thank you for your statement, and appreciate your appearing here.

Mr. TAYLOR. I appreciate the invitation.

(Whereupon, at 11 a. m., the subcommittee recessed, subject to call.)

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